

**FIRST ANNUAL REPORT OF THE TRADE
PROMOTION COORDINATING COMMITTEE—1993**

Y 4. B 22/3: S. HRG. 103-450

First Annual Report of the Trade Pr...

HEARING

BEFORE THE

COMMITTEE ON

BANKING, HOUSING, AND URBAN AFFAIRS

UNITED STATES SENATE

ONE HUNDRED THIRD CONGRESS

FIRST SESSION

ON

THE FIRST ANNUAL REPORT ON SECTION 201 OF THE EXPORT PROMOTION ENHANCEMENT ACT OF 1992, TO COORDINATE THE EXPORT PROMOTION AND FINANCING ACTIVITIES OF THE FEDERAL GOVERNMENT AND TO DEVELOP A GOVERNMENTWIDE STRATEGIC PLAN FOR CARRYING OUT FEDERAL EXPORT PROMOTION AND FINANCING PROGRAMS

SEPTEMBER 29, 1993

Printed for the use of the Committee on Banking, Housing, and Urban Affairs

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FIRST ANNUAL REPORT OF THE TRADE PROMOTION COORDINATING COMMITTEE—1993

WEDNESDAY, SEPTEMBER 29, 1993

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC.

The committee met at 10:05 a.m., in room 538 of the Dirksen Senate Office Building, Senator Donald W. Riegle, Jr. (chairman of the committee) presiding.

OPENING STATEMENT OF CHAIRMAN DONALD W. RIEGLE, JR.

The CHAIRMAN. The committee will come to order. Let me welcome all of those in attendance this morning, and particularly our very distinguished witnesses, whom we are pleased to have.

This morning we are going to consider the first annual report of the Trade Promotion Coordinating Committee, which was established by this Banking Committee in order to better promote American exports. The release of this report today marks the beginning of an important new approach by our country to the export sector of our economy, which translates directly into more jobs which are critical to America's future.

In the early years after World War II, the United States stood virtually alone as the world's industrial and technological leader. It was a golden age for us here at home and in terms of our economic strength around the world. At that time, we produced much of the world's manufactured goods and it was easy for us to dominate not only our own market but also to sell very effectively overseas. Nations such as Japan, Germany, Britain, France, and others whose economies had been destroyed by the war understood then that they needed to develop national strategies which would feature close government-industry cooperation in order to rebuild their economies and to try to not only supply their own domestic needs but expand their access as well to the export markets.

So over the intervening decades since World War II, these other countries have made great strides and in many instances have now been able in their own way to match the efforts of the United States. And, of course, we found ourselves over the last decade with an enormous structural trade deficit with Japan now totaling over \$500 billion.

Nevertheless, as that situation was changing quite dramatically in terms of our international trading position, our country and our executive branch, in my view, did not effectively come to grips with those changing realities. The fact that in total we have a massive

\$1 trillion trade deficit over the last 15 years probably makes that point more vividly than anything else.

These types of trade deficits, when they reach that size, do great damage to our own country. They hurt our national job base and the economic well-being of our people. And it is responsible for the backward slide in incomes for so many people in our country in recent years. It is one of the reasons why more and more families are finding that it takes two wage earners to be able to earn enough or as much as one wage earner was able to earn in real terms maybe 20 or 25 years ago.

Each \$1 billion in export goods we make here and sell overseas employs almost 20,000 American men and women. It is very important that we have a strategy that's effective in this area.

Other nations, frankly, have been more effective than we have been in developing national export strategies in their countries in order to build their job bases and move their products out around the world, including, I might say, right here to the United States.

So reducing our trade deficit will directly help us create more jobs here in America, and we have no greater need than that. I think our building and strengthening our private sector job base is the number one strategic priority for our country at this time. It is the key to solving every other problem we have, whether it be a social problem or anything else that requires economic strength. The key is our underlying job base and whether it is growing and it is at a high-wage, high-skill level.

In light of all these facts last year, the Banking Committee here, under the Subcommittee of International Finance, chaired by Senator Sarbanes, held a series of hearings to review the overall export promotion and financing programs of our Government. Through that very diligent work, led by Senator Sarbanes, we found that the U.S. Government in the executive branch had more than 19 different agencies involved in export promotion programs. And needless to say, that fact by itself tells a story, but as one would imagine the 19 were not properly coordinated, as it's almost impossible to do in any case.

We also found that the executive branch really had no general strategy or well articulated priorities to guide our export promotion, sale of our goods overseas, or the financing programs that are needed to tie together both our export possibilities and also some of our trade negotiating objectives. So the committee then decided to craft statutory provisions, to actually write a law establishing a trade promotion coordinating committee to try to pull all this together, get it focused, and enable us to lay out a well defined strategy.

In so doing, Mr. Secretary, the legislation, of course, put you as Secretary of Commerce, in charge of the coordinating committee, and asked that under your leadership that it develop a Governmentwide strategic plan to carry out all Federal export promotion and financing programs. That work has now been underway under your leadership and with your colleagues. And today's report is evidence, I think, of the outstanding job that Commerce Secretary Brown is doing in bringing—in really beginning and focusing the process of strengthening America's export promotion activities.

So this morning we not only want to thank him for that work, but we look forward to hearing from him and also from the deputy chairman of the committee, Ken Brody, who was earlier confirmed by this committee, who serves as the president of the Export-Import Bank, and is off to a very strong start in that area, and whose leadership we also very much appreciate, as well as that of Erskine Bowles, who is the new administrator of the Small Business Administration.

This committee recognized, in building this legislation last year, that we are now in a new age of global economic competition and we have to fundamentally reorganize and strengthen our efforts to deal with these new realities just as we did during World War II to deal with some of the problems we were facing then, and then on the military side thereafter with the Cold War.

I am convinced that, with bipartisan support, which we have had and which I want to express my appreciation for, and very important leadership contributions from new Members such as Senator Patty Murray of Washington, who is here, who has let me know of her keen interest in programs to strengthen our export competitiveness, I believe this committee working together with the administration can make our new trade promotion strategy work and work well. That will mean more jobs for America, and that will be good news for our country.

If we can help America again become the economic export powerhouse that it needs to be, that will do as much to help the foundation of our country and the economic foundation and a number of other important objectives as anything that we might do.

So, with that, let me next call on Senator Bond.

OPENING STATEMENT OF SENATOR CHRISTOPHER S. BOND

Senator BOND. Thank you very much, Mr. Chairman. I am very pleased that you called this hearing today because it highlights an area which has been of top priority interest to me. I called for trade policy coordination. I was very pleased to support the initiative of the Chairman in establishing the Trade Policy Coordinating Committee in calling for the report. And he has outlined many weaknesses we saw in past administrations. I railed against those. And I would say that, as I look at it now, the situation is worse. But we hope it is going to get better.

I would hope that this committee could get about the job, for example, of confirming an Undersecretary for International Trade Administration. I know Secretary Brown is very able, but he has got to have some folks on the team to help that team move forward.

We are particularly pleased to see Mr. Brody and Mr. Bowles here, because I know of their deep and strong commitment to this area. We have got to give you the resources. We are going to give you the encouragement and we are going to demand to see some action in it.

I have spent a good part of my career in public service, both in State government and here in Washington, working to encourage business to export more products, because that does mean jobs, as the Chairman has said.

As Governor and then as Senator, I have taken small business owners from my State on trade missions, I have fought to get my State to open marketing offices overseas, and I have pushed as a Member of this committee for more resources for export financing and promotion. Unfortunately, it has been an uphill fight.

We have all heard the statistics of how only a very few companies account for the overwhelming percentage of U.S. sales abroad. That most small- and medium-sized businesses simply do not even consider selling overseas because they are concerned about the uncertainties, they don't have the knowledge, they don't have the resources to figure out how to get into the markets. We have to change that. If we are to have continued job growth into the next century, we must reverse that statistic.

Obviously, Government cannot and should not force businesses to export. We can, however, take steps to make it easier for them to do so and that's where today's report comes in.

Since I have been on this committee, I have been arguing for legislation to force greater coordination in export programs and to direct greater resources to our export agencies. It appears, and I hope that the administration is willing to take these steps.

We are anxious to hear the statements of the witnesses before us today and to review in detail the recommendations of the report. We only received it this morning, so we are not prepared to comment in detail. But I assure you that we will have additional questions as we review it. I am going to be interested to learn how this report is different from those produced by past administrations; that is, why this report is going to produce more action and not just more lip service toward increasing exports.

I am from Missouri, and you are going to have to show me. I assure you, I will be watching very carefully. If in fact this administration is serious about increasing exports, improving export financing, and making our export agencies more efficient, then they will find they have a very enthusiastic ally in this Senator, willing to work on a bipartisan basis. You give the call, we will be there.

I hope this is the case because, unfortunately, in my opinion, though recent administrations were quick to get on the export band wagon with slogans and slick PR campaigns, there was very little follow through at senior levels where the critical action takes place. And I've got to tell you, I see that same problem. Having made a trade promotion trip to southeast Asia in August, I have seen lots of lip service but not nearly enough footprints. The job is not getting done out there.

If we are finally going to make progress on the issue of expanding our exports, it isn't enough for senior administration officials to take a couple hops traveling around the country promoting this report, speaking at trade fairs, then leaving the details to lower level people. It will take day in, day out involvement of each of you before us today. It will take your personal intervention on behalf of American companies and, most important, it will take the personal commitment of the President to ensure that our firms have the same edge as their competitors from other nations when competing for our export dollars. I hope you will pass that message up the line.

I know there are many, many pressing problems. But when foreign governmental leaders come to the United States, the President must make time to bring them together with representatives and spokespeople for our export sector. When that does not happen, we are accused of and suggested that we are snubbing those countries and the job of every single one of us is that much more difficult.

Mr. Chairman, I have a number of questions, but I better stop now so that we can get on and hear the other Members of the committee and the witnesses before us.

The CHAIRMAN. Let me just say, Senator Bond, first of all, I appreciate your leadership and initiative on this. This is an issue that you have cared about and worked on now for a long period of time. Senator Boxer along with Senator Murray have as well. And so I think you express a common view on this side of the table. The very reason we all work together to write this is to try to get right at the very issues you are speaking about.

Let me call next on Senator Murray.

OPENING STATEMENT OF SENATOR PATTY MURRAY

Senator MURRAY. Thank you, Mr. Chairman. And thank you for holding this hearing.

I know that you and Members of this committee have been—on both sides of the aisle—have been working on this issue for many years, and I really appreciate the work that's been done.

I have had a chance to glance at the summary and I am looking forward to reading the entire report.

This issue is very important to me. Mr. Chairman, I know that you appreciate that international trade is lifeblood to the State of Washington. And trade in Washington is really more than just an issue that's discussed in corporate board rooms or in university classrooms. In my State, trade is a family issue, because this country's trade policy is directly responsible for one out of four jobs in the State of Washington.

Secretary Brown and Chairman Brody know that my State is home to the country's largest exporter, the Boeing company. Boeing fights for every market. It's product is of the highest quality. And Boeing is a champion competitor. We all know that.

But my State is also home to many small exporters who count on Exim financing and Small Business Administration assistance. Washington State sends biotechnology products, small electronic equipment, and apple products to every corner of this globe.

Administrator Bowles, I look forward to working with you on increasing the exports from small businesses throughout my State.

Mr. Chairman, you know, and Secretary Brown knows that this year there is a very important trade summit that will take place in Seattle. The Asia Pacific Economic Cooperation Organization will hold a ministerial meeting in mid-November in Seattle. It is going to bring together leaders from 15 member countries of APEC.

Mr. Chairman and Mr. Secretary, this will be the biggest trade and economic summit this country has seen in many years. Asia is the biggest market for future U.S. exports, and these discussions will help to set the economic future of our Pacific relationship.

Seattle is very excited about this meeting. And the local Chinese community is especially eager to see some resolution to a problem

which has been a thorn in our side for many years. I know that the Peoples Republic of China, Chinese Taipei, and Hong Kong will all be represented at the meetings.

Not long ago, no one believed that the leaders of the PLO and Israel would shake hands at the White House. Like those peace negotiations in the Middle East, the APEC conference can be a step in the resolution of the Chinese question. The Chinese community in Seattle has spoken to me about this issue.

I know that all sides of this issue hope that the APEC serves to foster more dialog between these countries and America. I very much look forward to hearing Secretary Brown's comments on that issue as the Clinton administration hammers out a new way of approaching trade policy.

Thank you for holding this hearing. I look forward to the questioning.

The CHAIRMAN. Well, thank you again for your leadership on this issue, Senator Murray.

Senator Faircloth.

OPENING STATEMENT OF SENATOR LAUCH FAIRCLOTH

Senator FAIRCLOTH. Thank you, Mr. Chairman. I have a very short statement.

I want to welcome our guests this morning, and especially Erskine Bowles. I have known Erskine and his family for many, many years, and his father and I worked together in a number of capacities in years gone by. And I know that he brings his father's common sense, pro-growth orientation and philosophies to Government.

His father headed the first Commerce Department in North Carolina that was really involved in industrial development and export growth. So I feel sure that Erskine will bring a common sense voice to the administration. And I look forward to the question-and-answer period.

The CHAIRMAN. Thank you very much.

Senator Boxer.

OPENING STATEMENT OF SENATOR BARBARA BOXER

Senator BOXER. Thank you so much, Mr. Chairman, for this hearing and for the terrific job you do and will continue to do throughout the remainder of your term. And I repeat again how much you will be missed sorely by so many of us and, frankly, by a lot of people in this Nation.

The CHAIRMAN. Thank you.

Senator BOXER. I want to commend the administration for its report on U.S. export promotion and export control policies. In this report, the administration has tackled two issues head on that are of critical importance to California. One, reforming U.S. export controls, which is key. And, two, streamlining export promotion and financing programs.

Revising export controls is critical to California's high-tech industries. And the good Secretary and I have discussed this on more than one occasion. California's exporters of computers, electronics, and telecommunications equipment lose millions of dollars in sales each year because of politically and technologically out-of-date lim-

its on high-tech exports. Reforming these controls will help some of California's most important industries avoid unnecessary limits and delays.

Improving U.S. export promotion activities is also critical to the competitiveness of California's export-oriented companies. Thousands of export opportunities are lost each year, not only in California but all over the country, because Federal export promotion and export financing programs are a maze of bureaucracy.

I applaud the administration's effort to streamline the Government's export programs to provide exporters with greater access to information about export promotion and export financing. I am also encouraged by the special attention the administration is paying to exports of environmental technologies. California leads the way in production of cutting-edge environmental goods and services with roughly \$19 billion in sales in 1991. California's environmental technology producers often face unfair competition from foreign producers who are subsidized by their governments. Our companies can and do compete in this tough climate, but we, Government, can do more to assist this growing industry.

We need to provide American envirotech producers with greater access to export financing, and we need to help small envirotech producers obtain access to markets abroad.

We also need to assist our envirotech companies with sales to the world's poorest countries, possibly through aid in exchange for purchases of American-made environmental technology. As Secretary Brown had dubbed it, "Tied Aid," which I think is an excellent concept. We help these countries. I don't think there's anything wrong with asking that they purchase USA-made products.

The reform suggested by the administration in this report will substantially increase California's exports, as well as exports from all our other States. Increasing exports means business growth and job creation. And let me tell you, that's the medicine we need in California.

I thank you for coming before this committee, Secretary Brown and your wonderful team, to present this important report. I look forward to working with you, and I know I speak for Senator Feinstein as well, in addressing these important export issues, which are really the lifeblood of California.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator Boxer.

Senator Sasser, the Chairman of the Budget Committee.

OPENING STATEMENT OF SENATOR JIM SASSER

Senator SASSER. Well, thank you, Mr. Chairman. And before I begin my statement this morning, I must say I am a bit shell shocked from the announcement that you made yesterday. I wish you would change your mind. But I know you will continue to be a tireless and vigorous champion of the working men and women of the State of Michigan and throughout the country during the remainder of your term here in the Senate.

I must tell you that your leadership on this committee on scores of issues has been truly extraordinary and will be sorely missed. And I will have more to say about that on the Floor at a later time.

Mr. Chairman—

The CHAIRMAN. Senator Sasser, if you would just yield for one moment, first of all, thank you for such a gracious personal comment. And thank you too, Senator Boxer, and others who spoke yesterday.

I am just struck by the fact that we have our lineup here right now, at least with myself and Senator Sarbanes and yourself, and we have been to the Floor more times than once with charts, graphs, and argumentation. And so this is sort of a special lineup right here.

I don't mean to omit anybody in saying that, but we've been sort of banging away on these issues for a long time together. So when you make that very gracious comment, and I am looking at you past our colleague, Paul Sarbanes, I feel like we ought to go get the charts or something.

[Laughter.]

Take one more run at it.

I thank you for your comments.

Senator SASSER. Thank you, Mr. Chairman. There is no doubt that the chart budget of the U.S. Senate went up dramatically over the past year-and-a-half.

[Laughter.]

I welcome our very distinguished panel of witnesses here this morning, Secretary Ron Brown, Chairman Ken Brody, and Administrator Bowles. I think you, Mr. Chairman, and this group here before us this morning are to be commended for the impressive and innovative report that we have before us.

I am reminded of the—there's a saying that Jonathan Swift once quipped that it was a very bold man indeed who ate the first oyster.

[Laughter.]

Well, armed with our findings here this morning, your findings, I trust that we can move forward at long last to implement an export promotion strategy.

I think the importance of exports to the economy of the United States has been a very well kept secret. But it is time that we turned up the volume on the question of exports and it's time we did something to really promote the exports of the United States.

I have often wondered why we have been so slow in this country to move vigorously to promote exports. I thought that the explanation could be found in the history of this country. We pushed the frontier westward for over 150 years and we're always looking to expanding markets here domestically, and indeed the expanding domestic market did take up a very significant overwhelming proportion of our production.

But now, in this world economy, we simply must export to be prosperous. So from 1989 through 1992, exports provided 60 percent of the growth of the Nation's economic growth. Exports create jobs, good jobs commanding high wages and skills. Mr. Chairman, with the end of the Cold War and the new markets that are opening up as a result of that, I think that presents extraordinary new opportunities for us, as well as more threatening competition.

So our export control system simply must be reformed to meet the needs of a changing world. And as Chairman of the Subcommittee on International Finance and Monetary Policy of this commit-

tee, I look forward to working with you, Mr. Chairman, and with others as we strive to bring the export control system into the post-war era.

I would ask, Mr. Chairman, that my entire statement be included in the record.

The CHAIRMAN. Without objection, it is so ordered.

Let me now call on Senator Moseley-Braun who also has a great interest in this area.

OPENING STATEMENT OF SENATOR CAROL MOSELEY-BRAUN

Senator MOSELEY-BRAUN. Thank you very much. I would like to second the motion made by Senator Sasser that our Chairman reconsider. In fact, to use a word that Senator Joe Biden used when he got me on the Judiciary Committee, maybe we can dragoon you to come back to the Senate of the United States. And that's not an inappropriate term, because in dragooning, they would knock a sailor on the head in a bar and he'd wake up on a ship out at sea somewhere. Maybe that's what we need to do to continue the great work, the fine work that you have done in this area, Mr. Chairman, as well as many others.

I have been personally delighted to serve on this committee, in large part because of your energy and because of the initiatives that you have undertaken in areas that are near and dear to my heart. Everything from eliminating discrimination in lending practices to housing development. You have been there in the forefront of issues that matter to a lot of people, a lot of little people out there. And because of that leadership, I think we are going to have a tremendous void with your leaving the Senate.

I am just, on the one hand, really happy that I have had a chance to serve with you. But then I am very saddened by the fact that that service will be limited by your decision of yesterday.

So if we can talk you out of it, I want to join the Sasser team to try to do that.

The CHAIRMAN. Thank you.

Senator MOSELEY-BRAUN. I am delighted also to participate in this hearing. There has been enough discussion already about the big picture of what's involved. I think the real news of today is what we see here, the kind of coordination that this initiative represents, the coordination between Commerce and SBA and the Eximbank and the establishment of the Trade Policy Coordinating Committee is a real hallmark and a real benchmark for our efforts to develop a comprehensive, coordinated trade strategy.

I have had discussions with Mr. Brown from Commerce and with Mr. Bowles, actually Mr. Brody, all of you, we have had discussions in this area, because I am one of those who believe that the potential for growth of our economy lies in those vast untapped markets out there and that we have an opportunity to promote American trade in markets that we have not really explored.

But one of the stumbling blocks to that, to trade promotion and using that as an entre for growth in our economy, has been the fact that we have been falling over each other. We have had a kind of Keystone Cops approach, not only at the Federal level. And I am not saying this to lay blame. But at the State level as well. I think we had the conversation that the States themselves are out there

trying to promote their own State products independent of any Federal effort. All that serves to do, I think, is to confuse the picture, to cloud the picture, and to limit the effectiveness of our coordinated effort.

I am delighted that there will be a uniform budget for resource allocation, that the private sector will be involved, that there will be advocacy, that there will be some measure of performance to give us an accountability mechanism in this, that aid will be tiered, and that we will have a harmonization of paperwork ending duplication of effort. I am very pleased and delighted about the one-stop shopping proposal, and that you have decided that one of those will be in Chicago. I can't think of a better place in this entire world to have it.

I do have one area of concern, and I would like to raise that before we go into the actual hearing. And that is I hope that we don't get into a situation in which we are borrowing from Peter to pay Paul. That is to say that we shift the support for agricultural exports out in order to bolster our support for other exports. In the last budget, the market promotion program, as you know, was cut, having to do with agricultural exports. Particularly in a State like mine, agricultural exports are very, very important. We have had—Mr. Brody is smiling because he knows we've had parts of this discussion.

Agricultural exports are very important. I would not want to see a deemphasis there in order to improve our emphasis in other areas. I think, if anything, we can do both. We should do both. We should promote agriculture exports as well as exports from other sectors of our economy. In so doing, with the coordination that this program offers us, I believe that we will be able to show some real results in terms of increased trade as well as an improved economic climate in our country and improved quality of life for all of our people.

And that, of course, is the bottom line. Mr. Chairman with your permission, I would like to file my written statement for the record.

I welcome these gentlemen and congratulate the effort of the Trade Promotion Coordination Committee. I look forward very much to hearing from you this morning.

Thank you.

The CHAIRMAN. Thank you, Senator Moseley-Braun. And also thank you very much for such generous and kind personal comments.

Senator Sarbanes.

OPENING STATEMENT OF SENATOR PAUL S. SARBANES

Senator SARBANES. Well, thank you very much, Mr. Chairman.

First of all, I want to take just a moment to say, like my colleagues, I was saddened by your announcement yesterday and, with them, would urge you to reconsider it. We have been close friends for a long time, even before we came to the Senate together in 1976. And we are going to miss you very much.

You have been a champion on behalf of equity and fairness in the working of our economic system, a real champion for working people, for senior citizens, a champion for opportunities for all Americans, and a great believer that every young child in this country

ought to have the opportunity to develop their capacities and their talents to the fullest. We've needed that voice and that energy and that commitment and we are going to miss it very much.

You have also been an extraordinarily effective chairman of this committee. This committee under your leadership has handled some of the most difficult issues on the national agenda and it has done it, I think, with great skill. We have enacted important landmark legislation to address some very serious problems in the financial system to provide affordable housing to millions of Americans, to develop an urban policy so desperately needed in the great cities of our country. And you have been there on the front line every step of the way. I think the committee has flourished under your leadership.

I look forward to continuing to work closely with you over the next 15 months. So I just say a very heartfelt thank you for all you've done.

The CHAIRMAN. Thank you very much.

Senator SARBANES. Let me turn to today's hearings. I am pleased to welcome before the committee the Secretary of Commerce, Ron Brown, the president of the Export-Import Bank, Ken Brody, and the administrator of the Small Business Administration, Erskine Bowles, for this landmark testimony on the Trade Promotion Coordinating Committee's first annual report.

I take considerable satisfaction in this morning's hearing. On May 20, 1992, this committee's Subcommittee on International Finance, which I then chaired, which Senator Sasser now has, held a hearing to review the export promotion programs of the Federal Government. You, Mr. Chairman, had actually urged us into that arena, feeling very strongly, as I recall, that the Nation lacked a strategic export trade promotion plan, and that it was a weakness in our economic situation that we ought to get at.

We invited six witnesses from the lead agencies involved in export promotion and finance, Commerce Department, Eximbank, SBA, the Agricultural Department, AID, and the Trade and Development Agency to testify. We put all of these representatives of those agencies at the table and we asked them how many knew anyone else at the table. Only one person raised their hand.

And that, it seemed to us, demonstrated in a very visual way what part of the problem was.

We had a witness at that hearing from the GAO. In their report to us they stated, and I quote it—I think it's worth going back a bit here for the record:

In fiscal year 1991, the U.S. Government spent about \$2.7 billion on export promotion programs and approved about \$21.4 billion in export loans, export credit guarantees, and export insurance. However, the funding for the 10 executive branch agencies involved in export promotion is not made on the basis of an explicit Governmentwide strategy or set of priorities. Without an overall rationale, it is unclear whether export promotion resources are being channeled into the areas with the greatest potential return.

Now, the findings of that hearing served as the basis for title II on Export Promotion of the Export Enhancement Act of 1992. That legislation, which came from this committee, also reauthorized the charter of the Eximbank. It provided a statutory foundation for the Interagency Trade Promotion Coordinating Committee made up of all of the agencies in the Federal Government involved in export

promotion and export finance and chaired by the Secretary of Commerce.

The legislation directed the Export Promotion Coordinating Committee:

To develop a Governmentwide strategic plan for carrying out Federal export promotion and export financing programs and to submit the first annual report to Congress on the strategic plan by September 30, 1993.

I note, Mr. Chairman, that today is September 29, 1993, and I commend the administration on their timely appearance here today.

When the legislation was written, the committee understood that its implementation would depend, in large part, on whether the administration would see it as an opportunity to get a handle on a critical area of trade policy. If it were not perceived that way by the administration, there was really not much Congress could do.

It is therefore with great pleasure that I have reviewed the TPCC's first annual report to Congress toward a national export strategy. It is clear that the administration has taken both the letter and the spirit of the legislation to heart and is using the TPCC as a mechanism to craft a coherent and comprehensive strategy for the promotion and financing of U.S. exports.

I could go over some of their key recommendations but, obviously, I should leave that to the witnesses. Instead, I want to take a moment to commend Commerce Secretary, Ron Brown, and Eximbank President, Ken Brody, for the very strong leadership and dedication they have shown in bringing together the large number of Federal agencies involved in export promotion and export finance to forge the interagency agreements and understandings that are at the center of this report.

I know this has been a difficult and arduous task and I also know that you understand that this report is just the beginning of the job.

For example, the report puts in place a process for coming to grips with the difficult budgetary issues which must be addressed if a coherent Federal export promotion strategy is to be developed. You made the work of the Coordinating Committee the top priority of your agencies and its success will require no less.

You deserve great credit for the work which has been done. I look forward to working with you in the future as the Trade Promotion Coordinating Committee proceeds with its mission. And I must say I now have confidence that if we were to invite these representatives of these agencies back today and—who are concerned with export promotion, and ask them if they knew one another, we would get a positive answer. That alone, in my view, is no small achievement.

So, Mr. Chairman, I look forward to the testimony of our witnesses this morning.

Thank you very much.

The CHAIRMAN. Thank you very much, Senator Sarbanes. And, again, thank you for such generous and warm personal comments. I appreciate those very much.

Secretary Brown, we are delighted to have you here today. And I want to say again how much we appreciate your leadership in tackling this problem and moving on with it. We felt for a long

time that the only way we could get a directed trade policy is by getting the Secretary of Commerce to lead the charge. And you have been doing that and we appreciate that very much.

So we will make your full statement a part of the record, as we will your two colleagues, and I would like you to go ahead and make the remarks that you think are appropriate this morning.

STATEMENT OF RONALD H. BROWN, CHAIRMAN, TRADE PROMOTION COORDINATING COMMITTEE, SECRETARY, DEPARTMENT OF COMMERCE, WASHINGTON, DC

Mr. BROWN. Thank you very much, Mr. Chairman. I, along with my colleagues, am honored to appear before you today, making the first public presentation of our report. I would like to first join with your colleagues in heaping praise on you for your extraordinary service to the people of Michigan and to the people of the United States. You might remember that I have known you almost as long as Senator Sarbanes has. Before you came to the Senate in 1976, a mutual friend of ours from Flint, Michigan, John Mack, brought us together and we have remained friends since that time.

I think I also share the view of Members of this committee that there's probably nothing more important that this administration can do to prompt sustained economic growth in America and the creation of high-wage, high-quality jobs for the American people than focusing on exports. And that's why I am so honored to be able to present this report to you today.

Mr. Chairman and Members of this committee, we believe that America's future depends on our ability to compete and win in the international marketplace. In 1992, the United States was once again the world's largest exporter. The Clinton administration is committed to enhancing that leadership role throughout the 1990's as we prepare for the challenges of the 21st century.

Exports and export growth are not just economic statistics. Export growth will create millions of new jobs for American workers. The simple equation of exports equals jobs is the guiding principle of our report and might well be the key to our Nation's economic future.

Last year, Mr. Chairman, you and your congressional colleagues asked for a Governmentwide export promotion policy and budget toward a national export strategy in the first annual report of the Export Promotion Coordinating Committee, established by the 1992 amendments to the Export Enhancement Act.

You and your colleagues on the committee took the lead in calling for a strategic approach to exports that would pull together the efforts of the various agencies. And I would agree with Senator Sarbanes in his assessment, it was just as bad as he articulated but we have been able to pull those 19 agencies together in a very coordinated way, breaking new ground, tearing down some turf barriers that had previously existed, going way beyond what I think most predicted we would be able to do.

I want to give special thanks to Senator Sarbanes and to you, Mr. Chairman, who were the driving force behind crafting the TPCC mandate and seeing it to fruition. I also want to extend my thanks to my 18 colleagues in the administration, who worked long and hard to craft our export strategy. None of my colleagues have

worked longer and harder than the distinguished gentleman to my right, my good friend Ken Brody, chairman of the Eximbank. He put his heart and soul as well as his imagination and intellect and a good deal of old-fashioned sweat equity into this project. Without that spirit of commitment and cooperation from Ken and all of my colleagues, we would not have taken today's giant step toward what we call a "Team America" approach to export promotion.

America's future depends on our ability to compete successfully in the international marketplace. Our position as the world's undisputed economic leader, our national security, and the livelihood of millions of Americans will turn on how well businesses, workers, and the Government of the United States respond to the challenge of global competition.

The Clinton administration is committed to ensuring our success in global markets in every possible way. To lead when leadership is called for, to act as energetic advocates of American interests, to level the playing field and, whenever appropriate, to get out of the way and to let the creative initiative and industry of our Nation's people continue to set the standards for the global economy.

You made it clear that you wanted a report that will set us on the road to higher levels of exports, more and better jobs, and a rising standard of living for the American people. It is with great pleasure, Mr. Chairman and Members of the committee, that we can deliver to you just such a report. This is not just another report on another arcane aspect of economic policy. This report turns analysis into action. The report sets forth more than 60 specific actions and concrete recommendations to assure that U.S. firms have the information, technical assistance, resources, and full support, at all levels of Government, to achieve export growth and to strengthen our international economic leadership.

Today, Mr. Chairman, U.S. firms and workers export about \$700 billion in goods and services. If a dramatically revamped Government export effort can improve our performance by only 15 percent, and I think we can do a lot better than that, that would add \$100 billion in new exports to the total and create two million new jobs for the American people.

But, Mr. Chairman, we have set an even more ambitious target. As a direct consequence of the innovations and the increased efficiencies of the national export strategy contained in this report, we expect American exports of goods and services to pass the trillion dollar mark by the end of this decade. That kind of export growth translates into six million new jobs for the American people.

Meeting the trillion dollar mark will mean that in the year 2000, more than 13 million Americans will be earning their living as a direct consequence of merchandise exports and countless more will be employed due to service exports.

We will start the fight for new markets and new jobs from day one with a series of bold and aggressive and ambitious steps for exporters, especially small- and mid-size companies. I think that's where a lot of our focus needs to be because too few of the small companies are involved in the export marketplace. Those companies have been daunted by Byzantine organizational charts. There will be relief for those companies.

The new national export strategy will create a series of user-friendly one-stop shops located in major export centers nationwide to provide export marketing and finance counseling. These facilities will bring together, under a single Federal Government coordinated management team, the resources of a wide variety of local, State, and Federal Government agencies and a network of private sector export providers.

It seems like a simple idea, Mr. Chairman and Members of the committee, because it is. But it is also a revolution in Government. If anything gives definition to the President and the Vice President's concept of reinventing Government, this report and this action clearly does. And it is not just an idea, Mr. Chairman. Centers will open on January 1, 1994, in Baltimore, Chicago, Los Angeles, and Miami as just the first step.

The revolution does not stop there. None of the 19 agencies that work to promote exports will be left untouched. All will be more efficient, all will work better with one another, and all will be dedicated to serving the needs of Government's customers. The resources for all of the agencies will be evaluated in a cross-cutting fashion. They will be viewed as they should be as the Nation's aggregate promotion resource, to be allocated based on tomorrow's opportunities, not the entrenched interests of yesterday's bureaucracy.

Businesspeople can now call one toll-free phone number and reach a Commerce Department based information clearinghouse offering the vast informational resources of the U.S. Government on potential export markets. Special reports will tie together the disparate documents on a country into a single, user-friendly guide. We are encouraging private banks to return to the export finance marketplace, filling a critical shortage for small exporters. And we are recommending a consolidation of our feasibility study grant system to compete more effectively worldwide.

For America's exporters, large and small, who have lost international contracts to foreign competitors backed by the high-level advocacy of their governments, the national export strategy also signals significant change.

Beginning immediately, focused, coordinated, and aggressive action plans will assure the highest level U.S. Government advocacy for U.S. firms competing for public sector contracts throughout the world. We will systematically target markets with the greatest potential for U.S. exporters and then go to work to win greater U.S. market share.

With the strategy in hand and an effective coordination in place, Mr. Chairman, we are better poised to meet the foreign competition and to take advantage of the export opportunities created by new international trade agreements and the growth in emerging markets. Together, Mr. Chairman, the national export strategy contains more than 60 recommendations. The impact of your mandate goes well beyond the specifics of the national export strategy.

You and Senator Sarbanes have helped us focus this administration's attention on the opportunities and the challenges posed by growing economic competition. We are an administration elected to deal with the reality of change. And change in the international economic arena has been dramatic.

The Cold War and its focus on international politics masked an underlying economic revolution. When the Cold War started, the United States was the world's unrivaled political, military, and economic power. We produced half of the world's income and had a technological edge that stretched across the full range of industry.

For many industries, exports were an afterthought. And much of the world did, in fact, beat a path to our export door.

That comforting world of seemingly endless and effortless economic superiority is over. While we remain the world's leading economy, our share of world gross domestic product has shrunk to just about 24 percent. Our share of world manufacturers is even lower.

Today, international commerce is thoroughly woven into the fabric of the American economy. In 1993, when you focus on exports, you are focusing on job creation.

Seven million Americans already look to merchandise exports for their livelihood and millions more American jobs can be directly linked to service exports.

With a rate of pay 17 percent above the average, export-related jobs put millions of Americans a step closer to the American dream. And as I have indicated, Mr. Chairman, we intend to add six million more of those high-quality, high-wage jobs by the turn of the century.

Exports are already vital to the economic health of key sectors of our economy. The computer, aerospace, heavy earth moving equipment, farm implement, and many other industries are highly dependent upon the export market. The same is true of agriculture, as Senator Moseley-Braun pointed out, where one acre in four is harvested for overseas markets. And the potential is growing.

Europe and Japan are large and important markets. But there is enormous promise in Africa, in Asia, in Latin America, and the emerging economies of central and eastern Europe, as well as the former Soviet Union.

In the 1990's, it is estimated the requirements for new roads, bridges, ports, and environmental cleanup will pass the trillion dollar mark in Asia alone.

Growing world markets, however, do not automatically translate into U.S. export sales. In many markets, foreign governments have been more aggressive, more focused, and more effective than our own Government in helping their firms to secure export sales. Senior government officials will often travel the world to support the sale of their home country's goods and services.

In Europe and Japan, government-backed export financing is more widely available and more flexibly used than in the United States. France, England, Italy, and Japan, among others, have used their foreign assistance funds to support home country exports of capital and other goods. Most of our industrial competitors have made a greater commitment to gathering information on potential export opportunities and a more effective job of overseas diplomatic diplomacy.

The fierce competition for international markets comes first and foremost from the more innovative firms in Europe and Japan. In particular, Japanese companies have set the pace with a mix of aggressive business practices and a virtually economy-wide commit-

ment to quality, rapid time to market, ongoing innovation, and customer satisfaction. American companies have been moving to meet that competition, moving successfully and moving aggressively.

I believe that American companies and American workers are now the most productive and the most competitive in the world. In corporate parlance, they have to benchmark to the best, whether that best is in Chicago or Frankfurt, or Osaka. The new realities of international competition have lessons for the U.S. Government as well. Persistent economic diplomacy and high level advocacy, adequate export financing, improved efforts at information gathering, and listening to your customer have become necessary components of export policy.

In crafting this first export—national export strategy, Mr. Chairman, we listened to our customers, the taxpaying businesses and working Americans who are responsible for our Nation's international economic leadership. We held dozens of private sector meetings and spoke to individuals, export-oriented firms, trade associations, and labor unions. We listened and we responded. Over and over we heard the private sector raise the question of a Cold War export control regime that is keeping them out of many markets.

I am pleased to say, Mr. Chairman, that we will help create additional jobs in our computer, telecommunications, and other leading edge industries by significantly reducing unnecessary export controls consistent with our national security needs and our foreign policy goals.

With our creation of the Trade Promotion Coordinating Committee, you have put us on the path of adopting the same habits of thought that were developed by our best companies. We need to measure our own export strategy against the flexibility and effectiveness of the competition.

Mr. Chairman, President Clinton and his entire team are focused on developing and putting into practice a growth strategy that promises more and better jobs and a rising standard of living for all of the American people. You see that commitment in deficit reduction and in new technology, trade, and training policies. Exports are central to that overall strategy.

We believe, Mr. Chairman, that our role in building a better America at home and acting as an economic leader abroad is dependent on our ability to develop a coherent, aggressive, and effective national export strategy. We believe that this report moves us clearly on that path.

Thank you very much, Mr. Chairman. Obviously, my colleagues and I would be pleased to respond to questions that you and your colleagues might have.

The CHAIRMAN. Thank you very much.

Mr. Brody, we would like to hear from you now. We welcome you again. And we will make your full statement a part of the record.

**STATEMENT OF KENNETH D. BRODY, DEPUTY CHAIRMAN,
TRADE PROMOTION COORDINATING COMMITTEE, PRESIDENT AND CHAIRMAN, EXPORT-IMPORT BANK OF THE UNITED STATES, WASHINGTON, DC**

Mr. BRODY. Good morning, Mr. Chairman, and Members of the committee.

It is customary for all witnesses to thank the committee for the opportunity to testify. Often the gratitude is a necessary formality coming from a witness who neither sought nor relished the opportunity and experience.

Today for me, the "thank you" is sincere. This committee held my nomination approximately 5 months ago. Since that time, I have been working on the Trade Promotion Coordinating Committee, which for brevity I will call the TPCC from here on in, trying to make good on my commitment to having the Export-Import Bank be a leader in developing an export mentality through the country and seeking new ways to ensure the bank's dollars worked harder for the U.S. taxpayer.

As Secretary Brown stated, the TPCC is the progeny of this committee. And Chairman Riegle and Senator Sarbanes, in particular, fought for this legislation.

I note with regret Chairman Riegle's decision not to seek reelection and I hope I shall have the opportunity during your remaining term to work closely with you again.

The CHAIRMAN. Thank you.

Mr. BRODY. The Congress, this committee in particular, demonstrated remarkable foresight in the mandates of the TPCC. Foresight, because it is clear virtually to all, as has been stated earlier today, that the most important task facing this country in this decade is the creation of high-wage, high-value-added jobs and export is the key to get there.

The American public demands the Government help, not hinder, the private sector in meeting the challenge of job creation. A sound national export strategy is one of the most, if not the most, cost effective ways to promote economic growth and jobs.

In May, President Clinton recognized the opportunity that the TPCC presented when he stated at the Eximbank annual conference that we want to end the duplication and overlap and make sure that all of these programs are customer driven. We want our guide to be the needs of the exporters.

Under the leadership of Secretary Brown, the administration adopted the TPCC as its own and has made it work. The TPCC has produced a set of actions which will give a great boost to the ability of American companies to compete in the global marketplace. And it will create millions of jobs.

The committee required that Secretary Brown find the way to bring 19 agencies together to work toward the common goal of formulating a sound national export strategy. As this committee well knows, getting 19 agencies to agree on anything is no easy task. I know it may sound odd, but I think we all had a very good time in rising to the challenge.

Secretary Brown then took the unusual step of asking someone from outside of his agency to serve as his deputy. This is one way the TPCC avoided Government as usual. We took a novel approach

with the TPCC in its basic working manner. Rather than trying to force agreement at the deputy and principal level, we pursued real policy development at the working level. We believe that inter-agency disputes would largely be avoided if we could focus on policy rather than turf protection.

We received unqualified protection from all the TPCC agencies. We asked that each agency assign experienced professional staff to the working groups, realizing that the task was going to take a long time.

Two commitments were asked of the participants. First, leave your guns at the door. Second, be prepared to meet every day 3 to 4 hours a day over a 6-week period putting first the interests of the American people way, way ahead of the interests of your department or agency.

To the credit of every agency, the working groups more than met their commitments. Each group produced policy and program solutions not, as all too normal, notions of more study and more process.

Let me state that all the work is not done. As Secretary Brown has said, the TPCC is an ongoing process. Difficult issues still need to be addressed.

However, I believe that Secretary Brown deserves a great deal of credit for leading the TPCC and developing a strategy that will make the United States more competitive.

Throughout this process, he imposed one simple criterion: The United States must be more aggressive and more creative in our trade promotion efforts than our competitors. For too many years, we have been passive. Our competitors have been waging economic war and we have been sitting on the sidelines. We have allowed other governments to outwit and outwork the United States. We hope that today's report is a long first stride toward reversing these trends.

How will we be smarter and more aggressive in the area of trade finance? The TPCC recommends the creation of a Tied Aid capital project fund that will help neutralize the Tied Aid use of our competitors. The United States will still not have the funds to match them dollar for dollar, but we will have more resources and, more importantly, the mandate to counter our competitors' strategies in growth markets.

We also recommend the consolidation of all feasibility studies at the Trade and Development Agency and the creation of a single office within the Department of Commerce to assist U.S. companies in pursuing projects financed by the multilateral development banks. And these projects amount to tens of billions of dollars up for grabs among the different countries of the world.

These two recommendations are complementary. Because gaining market share is often a function of being first in the door in the most promising markets. Feasibility studies provide the key to opening the door, because these studies set the conditions and criteria for a capital project.

Development bank financing opens the door because multilateral development bank projects are often the first and largest infrastructure projects in emerging markets. These initiatives will enable us to gain market share.

As an interesting note, we had the Secretary of the Treasury, Secretary Bentsen, and the Under Secretary, Larry Summers, instead of thinking about protecting Treasury turf with the multilaterals, urging the Commerce Department to take a more active partnership effective role in making sure that American companies get more of the business coming out of the multilaterals. Just one small indication of the many kinds of cooperation that have started to exist coming out of this process.

The central goal of the TPCC was to make sure that we did everything we could for small- and medium-sized businesses to export. The biggest obstacle for this sector is not the lack of Federal budget resources. The primary obstacles have been a lack of knowledge and the lack of awareness of and access to pre-export working capital financing to support the export of goods and services.

Small and inexperienced companies have been faced with a general reluctance of commercial banks to provide export financing. Therefore, we adopted the principle of maximizing accessibility of capital by bringing the money closer to those who need it.

The TPCC solution is to create one harmonized program that draws upon the best features of the two working capital programs. When we combine SBA's broad geographic presence with Eximbank's more widely accepted program, the U.S. Government will offer a single working capital program.

These are the highlights of the TPCC trade finance recommendations and are in addition to the ongoing positive changes occurring at the Eximbank. And this should give you a flavor of the work completed thus far.

President Clinton has left no room for doubt. We must create jobs that pay well and keep our economy growing. I am personally committed to doing my part through the implementation of the TPCC recommendation.

As Senator Bond so accurately pointed out, if this report is left to accumulate dust, nothing will get accomplished. I think you all should be pleased to know that there is a very clear attitude that the report is just a weigh station and everyone involved is absolutely geared for action with action steps taking place even as we were working on putting the report together.

I want to publicly thank those individuals who participated in the interagency working groups, the 30-plus employees of Eximbank, who contributed countless hours to this project. And again thank Secretary Brown for his leadership.

I also want to thank Senator D'Amato for having the wisdom and graciousness to allow us to capture one of his relatively new employees, Jackie Clegg, who has served countless hours in really making sure that this process was going the way that this committee thought it should go.

I will gladly respond to any questions the committee Members may wish to ask.

The CHAIRMAN. Thank you very much, Mr. Brody.

Mr. Bowles, we will make your statement a part of the record and we would like to hear your comments now.

STATEMENT OF ERSKINE B. BOWLES, MEMBER, TRADE PROMOTION COORDINATING COMMITTEE, ADMINISTRATOR, SMALL BUSINESS ADMINISTRATION, WASHINGTON, DC

Mr. BOWLES. Thank you. If I could, I would like to just talk from a few notes I've made and have my testimony read into the record. The CHAIRMAN. Please do.

Mr. BOWLES. I would also like to add my voice to the chorus that expresses their regret at your departure, sir. I think it's very rare indeed when you find someone who can think strategically and also at the same time demand results. A thinker and a doer is a rare commodity where I come from, and I regret that you are leaving.

The CHAIRMAN. Thank you very much.

Mr. BOWLES. I would also like to particularly thank you, Mr. Chairman, and Senator Sarbanes, for your role in legislating the TPCC and for mandating a coordinated Governmentwide strategic plan to increase exports. I think this plan clearly is farsighted. And, as Senator Faircloth would say, it also makes just good, plain common sense.

I am happy to be here today to discuss SBA's role in the TPCC and our plans for working with the other members of the TPCC to help small businesses take full advantage of the expanding opportunities in the international marketplace. As Senator Sasser said, since 1989, over 60 percent of the growth in our economy has come from exports. And these exports are not coming from just big businesses, they are also coming from small- and medium-sized companies.

Fortune had an article just the other week that said that the top 50 Fortune 500 exporters had revenues that were up only 1.1 percent last year, whereas total exports were up 6.2 percent. Clearly, small- and medium-sized companies are beginning to dominate the export marketplace.

But small businesses need more help than big businesses do to successfully navigate through the maze of complex international trade barriers and financial requirements to become real participants in the global marketplace.

From the initial challenge of finding a buyer for their product or service to understanding tariff regulations to ensuring that they can finance a sale and actually get paid, small businesses often have needs for additional help far beyond that of larger firms.

As the TPCC report points out, there has been a significant deficiency in the U.S. Government's previous export financing efforts. Exim has had a great deal of expertise but limited outreach. SBA has had tremendous presence throughout the country, but has focused its efforts on domestic finance.

The TPCC recommends combining the strengths of these two agencies. More specifically, the TPCC report recommends that Exim and SBA harmonize our export working capital programs to make them more attractive to lenders and exporters, our customers. We intend to do this by eliminating duplicative and confusing applications and documentation, and by going to standardization of underwriting and uniform policies on interest rates, program fees, and guaranty percentages. Representatives of our two agencies have been meeting weekly and we are making substantial progress.

In the end, what we hope to do is establish a single U.S. Government export loan program that retains the best features of each agency's program. In conjunction with our efforts to harmonize the two programs, we will, in 1994, implement our market segmentation plan that gives SBA sole responsibility for financing small businesses with financing needs of \$750,000 or less. And I want you to know that we want you to hold us accountable.

In addition to our efforts to enhance our export financing program, SBA will participate in the one-stop shops to help small businesses evolve from export-willing to export-ready. By providing education, outreach, and technical assistance, we can help small businesses grow to the point where they can take full advantage of the fine programs offered by both Commerce and Exim. We believe these efforts on behalf of small businesses are critical.

Since small businesses are the job engine of this economy, and those jobs created through exports are good jobs, high wage-paying jobs, jobs that on average pay 12 percent more than an average manufacturing job, we think this is indeed a very critical undertaking.

I thank you for this opportunity to appear before you and testify on behalf of SBA and, of course, will be delighted to answer any questions you may have.

The CHAIRMAN. Thank you very much. And of course I appreciate all three of you, your statements.

Let me start, Secretary Brown—before I do, Senator Roth has come in.

Senator Roth, did you have a brief comment you wanted to make before we go to the questions?

OPENING COMMENT OF SENATOR WILLIAM V. ROTH, JR.

Senator ROTH. I have a statement, Mr. Chairman. I would ask that it be included as if read.

The CHAIRMAN. Thank you.

I can't resist the temptation of noting as Bill Roth and I were waiting at the subway yesterday, we were reminiscing about the fact that we arrived in Congress together 27 years ago, both as Republicans at that time in the freshman class of 1966, and he and I are very nearly the last of the Mohicans out of that crowd because we had, what, about 60 or so in that group. And it is now getting down to a fairly small size group. But we were thinking about that yesterday and it's in my mind as I call on you now.

Senator ROTH. Mr. Chairman, as you look forward to retirement, I hope you will see the light and come back to the Republican fold.

[Laughter.]

The CHAIRMAN. Mr. Brown, let me just say in creating a kind of coordinated export promotion program that you have laid out, obviously a key consideration is how available resources can be allocated wisely among a lot of different competing needs. And I am just wondering how you plan to prioritize both geographic markets around the world that you think we should be shooting for and also what kinds of industrial products, particularly, or manufactured products here from the United States do you think maybe offer the best potential for us to aim at those target markets that you see with the greatest potential?

Mr. BROWN. What we have done, Mr. Chairman, is to create a set of criteria to help us make those judgments. As I indicated in my testimony, I believe that the 1995 budget cycle gives us the best opportunity to pull together this unified budget.

We have been working with the President's National Economic Council and with OMB to develop that criteria, so in fact we have some basis for making those decisions.

I think most would agree that we do need to give additional emphasis to manufactured goods, where there is high value added and therefore high job creation potential. We believe in the admonition on the cover of the document; that is, U.S. exports equals U.S. jobs. That is the case if we focus on areas that are really job producing. So that is an area that we continue to work on.

I think that Senator Moseley-Braun makes a good point. We are not talking about doing this at the expense of a sector of our economy, but rather how we can look at all of export promotion dollars and see how we can target those dollars to have the greatest impact on economic growth and job creation.

The CHAIRMAN. Mr. Brody, let me ask you, in the report on page 46, it indicates that despite America's efforts to reduce the use of Tied Aid credits by others, there is still about \$6 billion in annual Tied Aid commitments being used by our competitors. And as a result, U.S. companies, of course, face a considerable competitive disadvantage in many growing markets.

I am wondering if the administration is developing a new strategy to fight Tied Aid credit used by our commercial competitors and, if so, what is that strategy and how much money are we likely to put into it?

Mr. BRODY. The TPCC has made a recommendation that we have an enhanced Tied Aid strategy. As you know, what we have had in the past is primarily a policing strategy, to make sure that other countries played within the rules. But we have not had a strategy that aggressively matched other countries' very low-interest rates, very long-term concessionary or soft loans that were tied to the purchase of capital goods from that country.

Our objective is two fold. One, to do more to create a level playing field for American businesses and therefore create more American jobs. And, two, to have a weapon to bring down worldwide subsidies in the Tied Aid area. The recommendation is that there be \$150 million of budget which would go toward a new Tied Aid matching program. Those budget dollars would come in part from Exim and primarily from the export promotion budgets of all the agencies involved in export promotion.

That \$150 million would translate to approximately \$600 million in those low-interest rate, long-term loans, and that would be compared to the \$6 billion that our competitors right now are putting up.

It is important, particularly, because where the most of the rest of the world's Tied Aid goes is to Asia and generally the most rapidly developing and important markets for us.

The CHAIRMAN. Thank you very much.

Let me ask you, Mr. Bowles, we all know that most of America's job creation in the last several years has been in the small business

sector. And it is absolutely vital that we do everything we can to encourage it.

What do you think is the most important thing we can do to help get more small businesses really active in exporting?

Mr. BOWLES. I think we have to do a couple of things from our viewpoint. Number one, we have to demystify it. We have to take some of the mystery of exporting out of the marketplace. That involves a good amount of education and outreach, which is what we are setting up to do in the one-stop shops. To take companies from being export willing to export ready.

The second thing we have to do is bring in export financing product that really meets their need. The product that we have had in the SBA in the past has been more similar to a term loan as opposed to a revolving credit facility, which is what the small businesses really need in order to have the working capital they need to finance their future growth through exporting.

So those two areas would be the ones we would concentrate on.

The CHAIRMAN. Very good.

Senator Bond.

Senator BOND. Thank you very much, Mr. Chairman.

Secretary Brown, I have some suggestions. You want to talk about where you want to open another one of those offices, I can give you some good ideas.

[Laughter.]

But there are a lot of good ideas in this report and the fact is, simply, that export promotion of the type that competes with Japan or Korea or Canada, is going to take a great commitment of resources.

I can tell you that time after time I have visited the US&FCS officer in a foreign capital who has told me that she or he is unable to travel out of the capital city due to a lack of funds or they are unable to maintain a current library because there is no money for books or periodicals, or they have no money for postage.

Are you telling me there is a true commitment on the part of this administration in a time of tight budgets to redirect resources into effective export promotion and maybe take some out of the hide of somebody sitting at the table right there with you to make the tough decisions necessary to ensure that the dollars available go to the more important export efforts?

Mr. BROWN. I am telling you exactly that, Senator. The President asked me to be bold and aggressive in my leadership of this committee. We think that's exactly what we have been. We think we have made some historic recommendations here that really represent a sea of change in export promotion policy.

We also know that this is the first step. It is going to take vigilance, which we will provide. It is going to take an effort to ensure that all the recommendations are implemented.

I think the beauty of this report is that everything we say in here we can do now with some very minor exceptions, and we explain what those exceptions are, and that we are going to move to those numbers, particularly in the export control area within the next several weeks or months.

The fact is that the administration is, for the first time—and I think you might as well acknowledge this as well, Senator—we are

unified from within as to what our export promotion strategy should be, what should drive it, what should guide it, what its priorities ought to be, and the fact that there is a direct relationship between exports and jobs. And if you look at our economic performance as a Nation over the last several years of recession and stagnation and now a tepid recovery, one of the few bright spots has been exports.

But we believe that we haven't yet scratched the surface. We've talked a little bit today about small- and medium-sized companies not participating in the export marketplace. We think there are some breakthroughs in this report that allow us to be more productive, more competitive, to get more manufacturers into the export arena, and to use the U.S. foreign and commercial service more effectively than it's been used before. And in that regard, because we have taken this unified approach, Senator Bond, the State Department through Secretary Christopher, has issued instructions to his personnel. It's not just the foreign or commercial office who work for me in embassies around the globe, but it is all the personnel in those offices in those embassies that have to start thinking what the commercial interests of the United States are.

What this administration has recognized is that the world has really changed. That in fact our national security is inextricably tied to our economic security. And in the decisionmaking process, the economic seat at the table needs to be a bigger seat than it's been before. I think the recommendations of this report clearly demonstrate that the economic and commercial interests of the United States are going to be at the cornerstone of our ability to grow economically and to create jobs for the American people.

Senator BOND. Secretary Brown, I agree with you on all those things.

While you've got your bold hat on, let me suggest a problem that needs some bold action.

I have talked with the US&FCS officers who on Monday and Tuesday are the cop. They're going out stifling the people who are dumping in the United States. They're going out and snooping, they're getting information on them, and they're trying to build antidumping cases. Then, on Wednesday, they put on a light colored hat and a big smile and walk around and say, I am your friendly U.S. export representative. And, frankly, people don't buy that. The cop who tickets you on Monday and Tuesday comes around and asks for you to buy a ticket to the policemen's ball on Wednesday, and you've got a minimum amount of high enthusiasm.

Isn't it about time to look at something bold like turning that policing function over to Customs, get it out and make those US&FCS officers export promoters; let somebody else do the policing?

Mr. BROWN. Well, it's true that the export administration is within the Commerce Department. That is not a US&FCS function. And if US&FCS officers are doing that, they will not be doing that tomorrow.

Senator BOND. Anybody involved with trade promotion.

Mr. BROWN. There is a separate unit that is not involved with trade promotion that is a part of the Commerce Department that

has that policing function. We don't happen to believe that that creates a conflict situation. But if, in fact, those involved in trade promotion are undertaking that responsibility, they will not be doing that tomorrow.

Senator BOND. They have been assigned on occasion. And I know it puts them in a very awkward position and I think it puts the department in an awkward position.

Mr. BROWN. I would agree with that.

Senator BOND. I would urge you to take a look at that.

Mr. BROWN. I would agree with that assessment, Senator Bond, and if it's bold enough for you for me to say that that will not be happening tomorrow, that is a commitment that I am making to you today.

Senator BOND. Mr. Brody, as we had discussed before, I feel very strongly that something needs to be done on Tied Aid. I don't think we got the Soviet intermediate range missiles out of Europe by asking them please, we put in our Pershing II's.

You've talked about Tied Aid, you've talked about \$150 billion that would generate \$600 million in low-interest loans as part of the battle. We've got a Tied Aid war chest of about \$3 billion. I think that we are—why aren't we using that? I think that we are far short of what we need to compete effectively against Tied Aid. We are not going to achieve the ultimate result of banning Tied Aid until we show the people in the other countries that we will compete as hard as they will on Tied Aid until everybody agrees to get out of that business.

How much do you think you really need? I don't think \$150 million even starts.

Mr. BRODY. Philosophically, I agree with you 100 percent.

It is a reality that we are a debt-ridden Government, and money is not easy to come by.

I think the improvements that are made by being able to stand at the table and match are likely to be more than you or I would think up front.

The reason that I think that is that there have been significant improvements made since 1991 by the negotiations undertaken in Helsinki; whereas, in 1991 Tied Aid worldwide ran around \$15 billion.

This year, it is running around \$6 billion, a dramatic decrease. It is our belief that if we put \$150 million on the table, realizing that it is not new money but money coming out of other export promotion programs, that that will give us approximately \$600 million, which means that we can selectively match obviously the competitors, and not choosing all good projects.

There are probably a whole bunch we do not care about. Then, the ones that we do care about, we can step up to the table and be a force with having, ourselves, a tool or a weapon depending on what you like to use, to really continue to bring this down worldwide.

I think that we will make a real dent in it.

Senator BOND. Mr. Chairman, I am grateful for the answers of the witnesses.

I am sorry we did not have time to engage Senator Sarbanes in questions about defense exports, but we will do that in written questions.

I ask that you share the answers with Senator Sarbanes. We have a lot to talk about, and I thank the witnesses, and I thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator Bond.

Senator Sasser.

Senator SASSER [Acting Chair]. Thank you, Mr. Chairman.

Mr. Secretary, today a potential exporter faces a confusing maze of Government programs. People get shuffled from one agency to the next when they want to get into the export business. Many business people tell me it is just not worth it. They get discouraged. They quit trying to export. As a result, there are fewer exports.

Now one of the proposals that is coming to us this morning is "one-stop shopping." I think that that is an excellent proposal. A business person can come to one location and get all of the information necessary to get into the export business.

I think that is going to encourage them. I understand that under the initial pilot program you are going to set up four of these one-stop centers. Do you envision a national network of these centers?

Mr. BROWN. Yes, I do, Senator.

I would agree with your assessment about the present process, the present system. You would not believe the chart that we have developed that depicts it.

We have got to break through that system.

It is not only a matter of changing regulations, and changing criteria, but it is really intervening in that process to make sure that we are more user-friendly.

Yes, this four is just a start. We intend to expand that concept all over America. We think that exporters should look to the Federal Government as a vehicle to make their lives easier, not more difficult. We think the one-stop shopping approach takes a giant step in that direction.

Senator SASSER. Well now, Mr. Brody, obtaining financing is one of the major impediments to companies exporting, particularly small business or smaller companies from exporting. Many banks just do not provide export lending. They are not set up and geared to do that.

Let me ask you, Mr. Chairman, do you think a secondary market would lead to more lending for export purposes and make it easier for small businesses to export? In other words, if the banks could take these loans and bundle them and sell them in a secondary market, would that be of any assistance to us in promoting exports, or export financing?

Mr. BRODY. Establishing a secondary market will be an aid. It will provide more liquidity to the market. It will ultimately allow for lower interest costs.

Probably, more importantly, it will allow banks who want to lend but who do not want to hold onto the loan to be able to sell their loans off into the secondary market and not run afoul of stringent bank regulations in some cases by holding on. So clearly it will be an aid.

Senator SASSER. What other steps can we take to bring more banks into the export lending business?

It appears to me that the chief impediment, or one of the principal impediments to export, is simply not being able to get adequate financing.

Mr. BRODY. I agree with your characterization.

With respect to the impediment on small- and medium-sized businesses, in many cases I think that the kind of cooperation that this process is bringing about between Eximbank and the Small Business Administration is going to have a major impact on having many more banks participate, because we each had programs. Perhaps one was trying to work it harder than the other, but the programs were each flawed in major ways.

I think that getting the best out of each program is going to lead to many, many, many more banks stepping up to the plate to work with the Federal Government and to work with a single program. I think that will do an enormous amount.

In addition to that, what will also do maybe at least as much of that with respect to getting banks involved in financing small- and medium-sized businesses is the emphasis that Erskine Bowles is putting on being part of this export mentality, and in bringing this export mentality to small- and medium-sized businesses, and being part of the one-stop shop.

A lot of the reason the banks do not want to spend very much time with small- and medium-sized businesses and exports is that they have to spend too much time handling and leading the company through the process.

The Small Business Administration, in working on this one-stop shop arena, is getting companies really ready for the export market and will be able to serve this very real need and thus make the banks able to focus on what they do best, which is lending money.

Senator SASSER. Let SBA do some of the paperwork and preliminary work? Is that what we are talking about? Have them get the loans in better shape for the banks, for example?

Mr. BRODY. It is more than that. We are talking about the SBA giving real guidance to companies and real education so that the companies are really ready to deal with the banks.

I have a very high degree of confidence in my friend Erskine Bowles and his ability to get the SBA going in the right direction to accomplish that.

Senator SASSER. Good. My time has expired.

Senator Faircloth is next in line.

Senator FAIRCLOTH. Thank you, Mr. Chairman.

I did not say it in the opening statement, but I want to say—and I am sure there are many others in Government that fit this same role—I want to particularly thank Mr. Brody and Mr. Bowles for the sacrifice that they made to come to Government.

I say this, too, that I know the personal financial losses that they suffered in order to serve in Government and to serve the Nation, and I personally want to thank both of you.

Mr. Bowles, my second favorite Clinton appointee is Arthur Levin, and he testified before this committee that the high cost of capital in the United States is lowering private investment and making American firms less competitive.

Can you think of ways we can reduce the deficit that will not raise the cost of capital and doing business? What are they?

Mr. BOWLES. Yes, sir. I can.

First of all, I have submitted a budget for next year, Senator, that is 19 percent lower than the budget I inherited this year.

So clearly that is one way that we can lower the deficit while managing our businesses in a more efficient and effective manner.

Second, for too long programs like the SBA's have operated on a first-come/first-served basis. I think it is high time that we realize that we have limited capital resources to work with and therefore we should redirect those resources in areas where we get the most bang for our buck. Clearly exporting is one of those areas.

As we look at the SBA's programs coming forward, you will see an SBA that redirects more of its dollars into those programs that offer greater economic growth and job creation for the economy.

Senator Sasser talked a moment ago about the lack of communication between Government agencies when they went about setting up the TPCC. I can tell you the problem was even deeper than that at the SBA.

At the SBA we had very little to no communication between the people in our Office of International Trade and the people involved in our export revolving credit line financing program.

We have changed that. We have brought those people together. They now talk. We believe we can have a much more efficient, more effective, more focused effort that will give the taxpayers a much better return on their investment.

Senator FAIRCLOTH. I thank you. I am delighted you brought your North Carolina conservatism to the Clinton administration. It can use it.

Mr. Brody, there is one thing that worries me, and it would sure worry anybody who ever endorsed a note: Contingent liability.

The American Taxpayers are exposed to the risk of default on all kinds and a multitude of obligations that the Federal Government is guaranteeing, and we continue to guarantee them.

As I said, anybody who has signed a note pretty well knows he had better be prepared to pay it. That includes the Federal Government.

But your report recommends increasing the Overseas Private Investment Corporation's projected limit from \$50 million to \$200 million. What effect does this have on the U.S. Taxpayer's exposure to more risk of default?

Mr. BRODY. I guess it is pretty hard to say that if you guarantee or lend more, you are more at risk; always, the task is to find the appropriate balance between return and risk. What we have now in the Federal Government is, I think, a very, very good way of budgeting for guarantees.

The way the process works is when a guarantee is made, an assessment of the risks are taken, and the expected value of the loss, if any, comes right into the budget and is counted as a budget outlay. So we have a system that I think works pretty well to not have a guarantee be costless when it is made.

There is a good estimate made up front, and it looks like that system, although it is too early to tell—well, too early to have definitive results—the first workings of it seem to indicate that it is

a very good system for giving a good, accurate financial portrayal of the consequences of making guarantees.

Senator FAIRCLOTH. Did I understand you to say that you have allocated in your budget to prepare for a default in case there is one?

Mr. BRODY. Yes. So, for example, when a guarantee is made in a more risky country, it costs more budget dollars than one has made in a less risky country.

Senator SASSER. Senator, your time has expired.

Senator FAIRCLOTH. Thank you.

Senator SASSER. Thank you, Senator Faircloth.

Senator Moseley-Braun.

Senator MOSELEY-BRAUN. Thank you very much, Mr. Chairman.

I have a specific question, and I do not know whether it is more properly put to Mr. Brody or Mr. Brown.

By the way, I would want to congratulate all of you for giving up stimulating private lives to come to the Government. It is not always easy.

But the point I wanted to get to is: With regard to the coordination—and I started off by saying “coordination” was really the best news about this entire story, and it is, and I am just delighted that we have got the coordination reflected in this report and this initiative.

I would ask, however, whether or not you are looking at coordination with other agencies and instrumentalities we have in the Government, such as the Department of State and some of our law enforcement and/or intelligence-gathering agencies.

Specifically, on page 2 of the report, page 2 of the Overview Chapter of the report, it states:

Most of our industrial competitors have made a greater commitment to gathering information on potential export opportunities than we have.

You know, we have had the CIA that has been gathering this kind of data for 40 years, and we have the State Department that certainly has in-depth knowledge of what is going on in terms of not only the political situation but the economic opportunities that may be available.

To what extent are you prepared as part of this initiative to coordinate with State, with some of our intelligence agencies, and the like?

Mr. BRODY. Coordination, I think, is clearly already underway, and it is significant.

The Department of State was one of the 19 at the TPCC, as was the Department of Justice. And although the intelligence agencies were not at the table on TPCC, the coordination coming from them is at the forefront of the Government in coordination of economic information where we need it.

Each ambassador and the country team will put together a country-strategic plan representing where we need to push and prioritize in that country to create more exports there.

So the integration has already started, and it is of a completely different nature than I think has ever happened before.

Senator MOSELEY-BRAUN. Secretary Brown.

Mr. BROWN. I might add, Senator Moseley-Braun, that although the intelligence agencies were not at the table as a part of the 19-

member Trade Promotion Coordinating Committee, I did make sure that I spent a good deal of time with Mr. Woolsey and Admiral McConnell and with the National Security Agency staff to make sure that we made clear our concern about the issues that they have been most concerned about, and the issues of how we can work more closely together in the future. So we are very sensitive about it.

Senator MOSELEY-BRAUN. Kind of the flip side—that is kind of the macro coordination of information—on the micro side of it, the question arises, how?

Your report indicated that you are going to, if I may quote, “improve”—this has to do with agriculture specifically—“expand joint collaboration between USDA and the many State agricultural agencies and focus on new-to-market and small- and medium-sized exporters and improve”—and this is the point—“improve USDA trade data to include better State and regional trade information.”

Now I want to ask how you plan to go about coordinating internally, in terms of our domestic information from the States and regions, particularly with regard to agriculture.

Mr. BROWN. I would say, first and foremost, we believe that that coordination is absolutely essential; that we are under-performing and under-utilizing our present resources. One of the principal goals of our work was to pull all of this together.

The work of the Trade Promotion Coordinating Committee does not end with this report. This is a first step in an ongoing process. So we have a responsibility for monitoring. We have a responsibility for setting up performance criteria to make sure we are meeting those goals, and to go about that in a very business-like way.

But it has to go further than gathering information and further than coordination.

There really has to be an advocacy network to make sure that everyone in the U.S. Government takes the commercial interests of our country to heart; that we should all be involved in export promotion to maximize our effectiveness.

Although the Commerce Department is the principal vehicle and is the lead agency, we need to be reaching out to every department of Government to make them sensitive to the commercial economic need of our country.

Senator MOSELEY-BRAUN. And finally—and you may have just touched on it in your response: With regard to performance criteria, not only in terms of the coordination effort but in terms of output, I mean the bottom line of all this is job creation.

We are looking at stimulating our economy sufficiently to have jobs created on the ground where people can access them. So in terms of your performance criteria, what criteria are you using, or do you plan to use with regard to prioritizing these export opportunities in terms of domestic job creation?

I mean we could spend years, as they have around the table at GATT negotiating about rice, and still come out with very little created on the local end in terms of job creation. Is there any thought being given to prioritizing what initiatives will receive the real push in terms of their job creation potential here at home?

Mr. BROWN. Yes. I will want obviously to ask my two colleagues to join in a response to this question, but you have hit the nail on the head.

I can tell you what the number one priority is. It is: Job creation.

So everything we do, everything we look at, everything we plan, everything we target, the number one priority is: Does this create jobs for the American people?

Then we go down the list with a whole set of priorities that give us a clear focus and a sense of mission and a sense of purpose.

Senator MOSELEY-BRAUN. So there are criteria and performance standards being developed in terms of—

Mr. BROWN. Yes. And for targeting, as well.

Senator MOSELEY-BRAUN. Good. Thank you, very much.

Thank you, Mr. Chairman.

The CHAIRMAN [Presiding]. Thank you, very much.

Senator ROTH.

Senator ROTH. Thank you, Mr. Chairman.

The words "Reinvent Government" have become very prominent in Washington these days, rightfully so I think, but it does seem to me, and I would say to all of you—and particularly you, Secretary Brown—I congratulate what you are doing, but frankly I have heard other administrations talk about taking the same initiative.

I think we need something much more dramatic. I agree with you that trade is the key to the future; that the creation of jobs, of a prosperous economy is going to depend upon our ability to compete in this emerging global economy. But, very frankly, I do not think creating a committee to coordinate and come up with recommendations of nine different agencies is going to answer the problem.

I think we need something much more dynamic. I say to you, Secretary Brown, why do you not lead the charge for the fight to create a Department of Trade so that we can really consolidate and have a policy pushing exports?

Japan, the most successful country in the world in trade, has a MITI.

We have been talking about that for 10, 15, 20 years. I just point out, and I think Business Week this week says:

When the Government tries to promote exports, it fails. There are 19 Federal organizations charged with helping exporters, and they mostly protect their individual turf.

I can tell you as one having been with the Chairman here many years, I have had many administrations come before us and talk about what they are doing, and they all do some good things and are acting in good faith, but frankly I do not think we are addressing the problem.

We have this "Reinventing Government," so I say to you: "Why not lead the charge?"

Mr. BROWN. I plan to lead the charge, Senator.

As you know, we did not create this committee; the Congress did.

Senator ROTH. That is right.

Mr. BROWN. And a further reading of that Business Week editorial, the last four words in it are: "We are rooting for you, Ron."

Senator ROTH. That is the reason I am challenging you.

Mr. BROWN. That was the close of that editorial, a very positive editorial on what the administration is doing and what the leadership of the Commerce Department is attempting to provide.

We would like to think that the Commerce Department is the agency that you are talking about, Senator. I think the work that we are doing now in trying to consolidate resources and in talking about a unified budget moves us much closer to that day.

I could not agree with you more, nor could my colleagues who work with me, on this report; that we have got to do it differently. We have got to do it better. We are being overrun by some of our foreign competitors. That does not make any sense when in fact our business and our workers are the most productive and the most competitive in the world.

It is not enough to fight to open markets, as important as that is. We have got to be ready to take advantage of those openings once they take place.

I think the key to that, Senator, is really redefining the relationship between Government and business. It seems to me that we have spent a lot of time, and probably three decades, in a debate in America about the appropriate role of Government, while our foreign competitors have been forging partnerships to make them strong.

You mentioned the Japanese example. I have found, in talking to the American business community, that we are all ready to put that ideological/philosophical debate behind us and to be pragmatists.

How can we join together to do what is best for America? How do we define this new partnership?

It is in the context of the administration fully understanding that, number one, we are a pro-business administration.

We know that it is the private sector that fuels the engine that pulls the train of economic growth in America. We know that there are times and places where Government needs to get out of the way. We also know that there are times and places where Government needs to be a better and stronger advocate, and a better and stronger partner.

As we have said before, Senator, this is not the be-all and end-all, but we think it is an important first step to getting us where you would like to take us.

Senator ROTH. But what I am talking about is a Trade Department, and that means restructuring and getting rid of the unnecessary bureaucracy.

One of the things that bothers me in this editorial—and let me emphasize again that I like your goal. You talk about \$700 billion being our present exports; that you want to lead that to \$1 trillion, which I strongly agree with. Yet, at the present time, this article says, "Brown's timing couldn't be better." With that, I agree. "U.S. merchandise imports are growing twice as fast as exports."

The reason I raise that, we had some hearings in Finance on NAFTA the other day and the great criticism of NAFTA is, well, yes, we are increasing exports, but we are not taking into consideration imports.

So the question I have here is: Are imports doubling, or growing twice as fast as exports? What can we do about that?

Mr. BROWN. What we can do about it is to try to follow the recommendations of the report to put the focus on export promotion, to re-allocate resources, and I think, looking at the rest of the administration's trade policy initiatives one is the advocacy initiative: Standing shoulder to shoulder with American business and industry as they compete overseas, not just saying "Good luck. Go out there. We hope you win."

We do not want them just to be able to compete; we want them to win.

Senator ROTH. Let me ask you a specific question, because years ago I remember stopping in Hong Kong.

Their export/import organization—I cannot recall what they call it anymore—but if they got an inquiry abroad for either a purchase or a sale of goods from anywhere in the world, they would answer that request in a period of less than a week, I think it was maybe 2 or 3 days.

So if somebody wanted to buy something from Hong Kong, an X machine, he would get an answer to that inquiry as to who would sell that machine within 3 days.

At that time—and as I said, this was several years ago—you were lucky if you got any answer from Commerce.

How long is the turn-around now? Do you have any idea?

Mr. BROWN. I do not have an answer to that question, Senator, but I agree with your assessment that we must do better. We have got to be pro-active. We should not be waiting for American businessmen and women to go to country X to try to market their wares, and then us to go out and find the match.

We ought to be identifying opportunities in those countries, and then notifying those who make those products back in the United States and putting them together.

One of the things we are trying to do is move to the 1990's technology, so that it is not just a matter of writing letters, but so we can use computer technology to try to promote those matches.

Senator ROTH. I understand my time is up.

Senator SARBANES. Thank you, very much.

We are going to be very brief because I know, Mr. Secretary, you have an engagement, as I understand it, at the White House and both Senator Dodd and I have competing concerns.

I want to put two very quick questions and make a comment, and then I will yield to Senator Dodd.

Is it the administration's intention in the budget submission next year to have a unified interagency budget for export promotion?

Mr. BROWN. Yes, it is, Senator.

Senator SARBANES. OK. So you will carry through this process, and then in effect we will see the product from it?

Mr. BROWN. Yes.

Senator SARBANES. Second, the report proposes the establishment of an advocacy coordinating network to coordinate high-level U.S. Government advocacy in behalf of U.S. companies pursuing major foreign government procurement opportunities.

Has there been an administration decision to implement this proposal? And, very briefly, how would it work?

Mr. BROWN. Yes, there has been a decision to do that, Senator. Frankly, part of that was done even before the report was initiated, or at least before it came to final form.

You might remember several months ago I took a trip to Saudi Arabia and had some discussions, before I went, with some who were saying: Why are you going to Saudi Arabia?

Obviously the reason was because that government was about to make a decision on \$10 billion worth of foreign procurements, and we wanted to make sure that American companies got a fair shake. We wanted to make sure that officials of that government understood that the U.S. Government was standing with American exporters.

The President himself saw fit to get involved, and lo and behold we found out recently that we have been successful and, with the help of SM Bank and some changes in the way they are providing financing assistance, it looks like we are going to sell about \$6 billion worth of aerospace equipment to Saudi Arabia. So we are embarked on that course.

It meant that along with that process, Secretary Christopher went and reinforced those points. Secretary Penya is going the end of this week to reinforce those points; that we use the entire network of senior Federal officials to be strong advocates for the commercial interests of the United States.

That will be coordinated from the Commerce Department, Senator Sarbanes.

Senator SARBANES. Let me just add a word of caution which flows out of that, and also has to do with the Tied Aid credits.

I strongly support the war chest and the Tied Aid credits, and it in fact had its genesis here in this committee when Senator Heinz and I sort of put that together, but that is not the ideal world. The ideal world is not to be subsidizing or underwriting these sales, or even providing guarantees or insurance if you don't have to. I mean, you deal in the real world. But the objective, if possible, is to back other countries out from doing this. So, you know, we have the OECD.

I do not think the agreement is adequate, and I think we have to still be in the ball game, as you are proposing to do, but we, at least in my mind, ought not to lose sight that the broader objective, if it can be reached, is to back other countries out of doing it, and then let their companies compete without ours on the basis of price and quality straight out.

Now if they are going to play that game, then they need to know that we are going to play that game. Therefore, in a sense, since it would then be a non-winner for them, maybe they will stop playing it, and we will get to the state that we really want to get to.

But I think—I mean, I just add that as a word of caution. And here's the other: If other countries are going to put their top officials in there to help move the economy, I understand that, and if they are competing solely on price and quality, they will do all right in the international competition.

We are trying to get this tipping of the scale out of the picture. And I am all in favor of doing it. I am all in favor of meeting fire with fire. If I can achieve it I would rather not have any fire present at all, I guess is my view.

Mr. BRODY. Senator, not only are your words of caution welcomed, but they are in fact our philosophy and our policy.

Senator SARBANES. Good.

Senator Dodd.

OPENING COMMENTS OF SENATOR CHRISTOPHER J. DODD

Senator DODD. Thank you very much. I just want to follow up on Senator Sarbanes.

Senator SARBANES. That was a good report. Thank you very much for the job you have done.

Senator DODD. Let me just follow up on the point Senator Sarbanes has made. I just want to second what he has said. That was my first question to you.

I noted here in the committee staff's preparation that the number they use is that there is \$6 billion currently in Tied Aid commitments by our competitors. I know a decision is going to be pending, but I wish that there was a better strategy than the course we've been following.

If someone has a better one, I am certainly all ears because this seems to be a never-ending game in a way, and we all keep at it. We all give the same speeches and nothing else gets done.

So I am very open to strategies that will allow us to achieve the desired results through some vehicle other than letting them know that we are going to play by the same rules if they are going to continue the practice of the heavily Tied Aid program.

I am hopeful that the administration is not going to back away from that, unless they have got a better idea, and if they do I am certainly all ears. But in the meantime, I have not heard one. So I would strongly urge the recommendation that we stay in that program until we are able to convince some of these people that we are not going to back away.

I just make that as a comment here.

You know you are competing with Mrs. Clinton. I am sorry I was late getting here, but she is appearing before the Committee on Labor and Human Resources on the health care package, and so I had to be over there for a while for the first round of questions.

I am going to submit my prepared statement here.

I think you have done a great job with this. There is a lot of work that has gone on—some of which took place before any of you assumed the positions you are in and tried to put together this Coordinating Committee—so that we can start to have some intelligent approaches.

Of course I have known Ron Brown for so many years and know of his deep commitment and caring about these issues, going back in several different positions that he has held. And I know of, Mr. Brody, your interest, and Erskine, yours as well, in these areas.

I have often said, and maybe it is too simplistic, but when I read on page 2 of this report that our competitors just invest so much more in identifying potential foreign markets for their exports, maybe I am naive, but why is that not something that we are just already doing, given our computer technology? And for someone who wants to do something in the Philippines or in Singapore or some place and is looking for the maximum amount of competitors to bid on a particular project, why would we not offer that service,

and then at a fee to any business through their computer operations they would be able to access every morning, worldwide, having submitted a profile of what they do, where there are potential contracts worldwide that they could possibly compete for and make that decision about whether or not to submit a bid to some entity that they would not otherwise know of?

It may be too simple an idea, and obviously a lot of other work needs to get done to develop markets, but I suspect our foreign allies and others would like to be able to know about U.S. corporations and businesses, particularly small- and mid-sized ones, that could successfully compete for their markets.

I would think today that that kind of technology ought to be available.

Is there resistance within the State Department for being involved in something like this? How do you respond to that?

Mr. BROWN. It is a great idea, Senator. It is just the kind of system we are trying to move toward. The technology is available. It is a resource allocation problem right now, but we are moving as rapidly as we can to have that kind of system in place.

When I talked about being pro-active, when I talked about the use of new technologies, that is exactly what we are talking about.

Senator DODD. Well, I am glad to hear you say that.

You know, there is no debate up here. People are dying to be helpful. I mean, if you can come up with some ideas, this place is tripping over itself to try to help.

You know, sometimes you just get tremendous resistance here with Republicans fighting Democrats. Everybody reads about gridlock in Washington because, obviously, the press does not report about planes that fly, but this is one that is prepared to fly.

All we need is some marching orders up here, and some direction in which we can go, and you will find a very receptive Congress of the United States and the complete absence of partisanship, I think, on this issue, with some wrinkles here and there, but they are virtually non-existent when it comes to trying to develop these markets.

I do not know of anyone who disagrees, whatever their views may be on NAFTA, that in the short- and the long-term, job creation is directly linked to export markets.

I come from the most dependent State in the United States on a per capita basis on exports, the State of Connecticut.

Our economy is directly dependent upon our ability to market and sell goods—the old Yankee peddler idea. In fact, I would like to make a pitch, since I am the only one here, I was going to wait until everybody else left to bring this up, so don't tell them I said this, even though we are being covered.

I notice you have got these regional offices in Baltimore, Chicago, Los Angeles—

[Laughter.]

We need a New England office here. I am just going to raise that with you. I do not know who makes that, which one of you are responsible for making those decisions, but seriously the New England area has been historically a good source for exports and we would like for you to look at our region as one of those regions you are talking about.

I see all your heads nodding up and down affirmatively, that you have agreed, and it will not be Boston, either.

[Laughter.]

Mr. BROWN. I will admit, Senator, that I am the one that makes that decision and we are looking at some criteria for how we can expand way beyond the four cities that we have designated today.

Senator DODD. Well, you and I will talk, then, along the way.

[Laughter.]

The only other thing is the budget. Maybe somebody asked this. Do you need money from the budget process here? Or are you basically on track with what you have got, the resources? You are not looking for additional funds?

Mr. BROWN. We are not, Senator. Obviously there are areas where additional funds would be helpful, but in view of the present budget difficulties and constraints, we are trying to do this within present resources.

That is what makes it most exciting. We are talking about increased exports, increased jobs, and no additional expenditure of dollars.

Senator DODD. And you do not anticipate necessarily any legislative changes?

Mr. BROWN. No. Although, as you know, the Export Administration Act is up for renewal, so there might well be changes beyond those that we have recommended. But the changes in this report we can implement.

Senator DODD. OK. Very good. We look forward to working with you and being supportive in every possible way we can.

Thank you for your presence here this morning. There may be some additional questions which Members can submit.

Mr. BROWN. Thank you, Senator Dodd, very much.

Senator DODD. The committee will stand adjourned.

[Whereupon, at 12:15 p.m., the committee was recessed, subject to the call of the chair.]

[Prepared statements, response to written questions, and additional material supplied for the record follow:]

PREPARED STATEMENT OF SENATOR JIM SASSER

Thank you Mr. Chairman. Before I begin my statement, let me say that I'm still a bit shell-shocked from your announcement yesterday.

Although I wish you would change your mind, I know that you will continue to be a tireless and vigorous champion of working men and women in your home State of Michigan, and throughout our country.

Your leadership on the Committee and scores of other issues will be sorely missed. And this Senator will miss you not only as a colleague, but as a good and loyal friend.

Mr. Chairman, I too welcome our distinguished panel of witnesses. Secretary Brown, Chairman Brody and Administrator Bowles, you and the entire Trade Promotion Coordinating Committee are to be commended for this impressive and innovative report. As Jonathan Swift once quipped, it was a bold man who first ate an oyster. Armed with your findings, I trust that at long last, we will be able to implement an export promotion strategy.

The importance of exports to the Nation's economy has been a well-kept secret. Well, it's time we turned up the volume on their significance. And it's time we did something to promote U.S. exports. With your able assistance, we will do both.

From 1989 through 1992, exports provided 60 percent of the Nation's economic growth. Exports create jobs—good jobs commanding high wages and skills.

However, even though exports generate the lion's share of economic growth, export promotion has received scant attention from the Federal Government. The sad fact is we have had no coherent strategy, especially when compared to our trading partners who mount aggressive and focused campaigns.

The United States has more than 100 export programs scattered catch-as-catch-can throughout 19 Government agencies. The result is a bureaucratic nightmare, replete with turf wars and a dilution of program effectiveness.

However, thanks to the TPCC, we have finally turned the corner. The TPCC has crafted a strategic plan that meets its statutory mandate to bring clarity and consistency to export programs and budgets.

U.S. companies and industries interested in exporting their goods and services will no longer have to negotiate the bureaucratic wilderness that now passes for export promotion. Under the TPCC's pilot program, we are moving toward one-stop shopping which will provide for greater accessibility and efficiency.

Finally, on a separate issue, the report takes some forward steps in the area of export controls.

The end of the Cold War presents new opportunities and different threats. Our export control system must be reformed to fit a changing world. As Chairman of the International Subcommittee, I look forward to working with you, Mr. Secretary and with Senator Mack, as we strive to bring the export control system into the post-Cold War era.

Once again, I welcome our distinguished witnesses and I commend the Trade Promotion Coordinating Committee for getting our export priorities in order and giving us the blueprint to get them carried out.

 PREPARED STATEMENT OF SENATOR CAROL MOSELEY-BRAUN

Before we start today, I would like to say a few words about Senator Riegle, the Chairman of the Banking Committee. I am saddened to hear that he will not be running for reelection. He is a forceful and effective advocate for the people of Michigan, and I know he will be missed by his constituents. He has been unswerving in his fight to provide adequate and affordable housing and transit services in urban and rural areas. He has worked to revitalize urban communities, provide capital to emerging small businesses, and other financial services to those in need.

Personally, he has been wonderful. He has been helpful in every way. I could not have asked for a better colleague, chairman, and friend. I am honored that I have pleasure of serving with him and look forward to what we will accomplish together during the remainder of this Congress.

Mr. Chairman, thank you for calling this hearing on the Trade Promotion Coordinating Committee Report on Export Promotion. Everyone agrees that increasing U.S. exports is vital to our economy's continued health. While exports in 1992 increased by 6.2 percent, imports increased by 11 percent. Our trade deficit increased from \$66.3 billion in 1991 to \$84.8 billion in 1992.

One key to increasing U.S. exports is having a coordinated and focused export strategy. Our leading trading partners have invested time, energy, and dollars to make the most effective use of their export programs. We need to do the same.

We have many programs at Commerce, at SBA, at the Agriculture Department, but we have no guide to how those programs should work together. We lack clear national export policy priorities and this works to the disadvantage of U.S. industries and U.S. workers, from agriculture to electronics.

Because of the need to develop a coordinated trade strategy, Congress gave the Trade Policy Coordination Committee the statutory authority to develop a plan for making our existing export programs work better. I am eager to hear the proposals developed by the committee's participants and I look forward to working with the administration and other Members of this committee to make the most use of the committee's recommendation.

PREPARED STATEMENT OF SENATOR WILLIAM V. ROTH, JR.

Thank you Mr. Chairman.

If there is one issue on which every Member of Congress can agree it is that promoting U.S. exports is vitally and increasingly important to the economic health of our Nation. While we are the world's largest trader, only $\frac{1}{3}$ of U.S. manufacturing companies, just over 100,000 companies, export manufactured goods. We can, and must, do a better job at exporting. One thing is for certain in this fierce global competitive world in which we live, if you don't pay attention to the challenges of exporting and competing in the global marketplace, you will not survive over the long-run. It is essential to our national well being.

I am looking forward to hearing the major results of the first annual report of the Trade Policy Coordinating Committee (TPCC) on creating a Governmentwide strategic plan for carrying out Federal export promotion programs. I understand there are 60 action items in the report and I am anxious to hear about them.

There are many long overdue changes that need to be made to improve our export promotion efforts. Frankly, I would like to see a large part of our bureaucracy get out of the business of export promotion. For example, I don't understand why there are 19 agencies on the TPCC. I suspect that many of them are not needed. To create more focus, to end needless duplication and to eliminate turf battles, we should really tackle the organizational aspects of our export promotion programs in a comprehensive way. I have called for such a solution through the creation of an Export Promotion Bureau, which would be one of three bureaus in a lean and mean U.S. Department of Trade. That is a way to truly create one-stop shopping and I firmly believe that this is the direction in which we will ultimately move.

Thank you.

PREPARED STATEMENT OF SENATOR CHRISTOPHER J. DODD

Mr. Chairman, I want to thank you for holding this important and timely hearing today, and for your longstanding efforts to focus the Nation's attention on the critical issue of export promotion. I also want to thank Commerce Secretary Ron Brown, Kenneth Brody of the Export-Import Bank, and Erskine Bowles of the Small Business Administration, for taking the time to appear before the committee today.

As we continue to develop strategies to get our economy back on track and to regain America's competitiveness in this rapidly changing world, we must not overlook the importance of our Nation's export sector. In my home State of Connecticut and across the Nation, exports are an engine of growth for companies both large and small. Indeed, we in Connecticut export more, on a per capita basis, than any other State in the Nation.

We are right to focus on exports for one simple reason, Mr. Chairman: exports mean jobs. Every \$1 billion of exports creates anywhere from 18,000 to 22,000 jobs—high quality, high value, high paying jobs. And with the fall of the Soviet empire and the rapid emergence of new democracies in every corner of the globe, the potential for new exports—and new export-related employment—is dramatically increasing with every day.

Unfortunately, Mr. Chairman, while new markets are being created across the world, our ability to take advantage of those markets here at home remains far behind that of our leading competitors. A series of recent studies by the General Accounting Office has made that point very clear. The GAO compared U.S. export promotion programs with those of our competitors and found the U.S. programs lacking in the areas of small business outreach, manufacturing promotion, and overall levels of funding.

One of the most significant difficulties with our export promotion programs, Mr. Chairman, is that they are spread out over many different agencies and therefore lack any cohesion. In addition to the bureaucratic maze these programs have created, they have also helped to obscure objective analysis of our overall export promotion strategies. For example, the GAO recently reported that the United States spends 75 percent of its export promotion budget on agriculture exports, even though agriculture represents only ten percent of our exports.

Last year, after the inadequacies of our current export promotion programs had become apparent, Congress set out to do something about them. Section 201 of the Export Enhancement Act of 1992 established the Trade Promotion Coordinating Committee, or TPCC—an interagency committee that is charged with coordinating our Nation's export promotion programs and developing a strategic plan for carrying out Federal export promotion activities. In more simple terms, we have finally put all of our export promotion programs under one roof.

Today, one year after that legislation was put into effect, we will have a chance to review the first annual report of the TPCC. And while I know the Clinton Administration has had only a limited time to develop this export promotion strategy, it has nonetheless done an admirable job in putting together this report. This report contains over 60 different individual recommendations, but I will take a moment to mention a few of the more noteworthy highlights.

The report proposes the following:

- Create a unified export promotion budget that allocates resources consistent with geographic and sectorial priorities.
- Create "one-stop shops" within identified regions, so exporters can receive all needed assistance from one location.
- Develop a single, comprehensive commercial strategic plan for each country with significant market potential.
- Create a TPCC Advocacy Coordinating Network to identify systematically major procurement and project opportunities overseas.
- Increase understanding of export financing among potential exporters, involve more banks in this field, broaden access to Government export financing institutions, and level the playing field by addressing competitors' Tied Aid practices.
- Streamline the export licensing process.

Mr. Chairman, over the next several months this committee will have ample time to consider these recommendations and to discuss other means with which to enhance our Nation's export promotion activities. In the meantime, I want to commend the administration for its thorough job in preparing this TPCC report. I look forward to working with my colleagues on this very important issue in the future.

PREPARED STATEMENT OF SENATOR ALFONSE M. D'AMATO

Today, the Administration is releasing the first report of the Trade Promotion Coordinating Committee (TPCC). The TPCC was established as part of the Export Enhancement Act of 1992. The goal, to coordinate the export promotion and financing activities of the Federal Government, is necessary and long overdue. Currently, there are 19 Federal agencies administering almost 100 export promotion programs—with no overall strategy. Increased coordination will benefit our export industries, create jobs and help to move the economy forward.

I must recognize the contributions of the Chairman of the Export-Import Bank, Ken Brody and his professional assistant, Jackie Clegg, for their unmeasured commitment of time and energy in preparing this report. I am optimistic that their work and that of their colleagues on the TPCC can only benefit the American export-community and the American taxpayer.

The TPCC report outlines four key categories of recommendations. They include: streamlining programs; leveraging resources from the private sector and from State and local governments; maximizing Federal funding by developing an effective interagency allocation process; and, removing obstacles by reducing or eliminating Government-imposed impediments to export.

I look forward to more in depth testimony from our witnesses today. I join in welcoming Commerce Secretary Ron Brown who is serving as Chairman of the TPCC, Export-Import Bank Chairman Ken Brody, who is serving as Deputy Chairman of the TPCC and Small Business Administrator Erskine Bowles who is a member of the TPCC.

PREPARED TESTIMONY OF RONALD H. BROWN
 "TOWARD A NATIONAL EXPORT STRATEGY"

THE FIRST ANNUAL REPORT OF THE TRADE PROMOTION COORDINATING COMMITTEE
 SEPTEMBER 29, 1993

Mr. Chairman, America's future depends on our ability to compete and win in the international market place. In 1992, the United States was once again the world's largest exporter. The Clinton Administration is committed to enhancing that leadership role throughout the 1990's as we prepare for the challenges of the 21st Century.

Exports and export growth are not just economic statistics. Export growth, Mr. Chairman, will create millions of new jobs for American workers. The simple equation of Exports Equal Jobs has become a new principle of prosperity.

Last year, Mr. Chairman, you and your Congressional colleagues asked for a Governmentwide export promotion policy and budget. *"Toward a National Export Strategy"* is the first annual report of the Trade Promotion Coordinating Committee established by the 1992 amendments to the Export Enhancement Act.

You and your colleagues on the Committee took the lead in calling for a strategic approach to exports that would pull together the efforts of the various agencies. I want to give special thanks to Senator Sarbanes and to you, Mr. Chairman, who were, I know, the driving force behind crafting the TPCC mandate and seeing it through to fruition.

Mr. Chairman, I also want to extend my thanks to my eighteen colleagues in the Administration who worked long and hard to craft our export strategy. None of my colleagues, Mr. Chairman, has worked longer or harder than my good friend, Ken Brody, Chairman of the Eximbank. He put heart and soul into this report, as well as imagination, intellect and a good deal of old fashioned sweat equity. Without that spirit of commitment and cooperation from Ken and all my colleagues, we would not have taken today's step toward what should be, and that must be a Team America approach to export promotion.

Mr. Chairman, America's future depends on our ability to compete successfully in the international market place. Our position as the world's undisputed economic leader, our national security and the livelihood of millions of Americans will turn on how well the businesses, workers, and Government of the United States respond to the challenge of global competition.

The Clinton Administration is committed to ensuring our success in global markets in every possible way: To lead when leadership is called for; to act as energetic advocates of American interests; to level the playing field; and, whenever appropriate; to get out of the way and let the creativity, initiative, and industry of this country's people continue to set the standards for the global economy.

You made it clear that you wanted a report that will set us on the road to higher levels of exports, more and better jobs and a rising standard of living for all Americans. It is with great pleasure, Mr. Chairman, that I can deliver to you just such a report.

This is not just another report on another arcane aspect of economic policy. This report will not join the many gathering dust in library stacks. Instead of gathering dust, Mr. Chairman, we want the country to "watch our dust" as we turn analysis into action.

Our first report sets forth more than 60 specific actions and concrete recommendations to assure that U.S. firms have the information, technical assistance, resources and full support of all levels of Government to achieve export growth and to strengthen our international economic leadership.

Today, Mr. Chairman, United States' firms and workers export about \$700 billion in goods and services. If a dramatically revamped Government export effort can improve our performance by only 15 percent that would add \$100 billion new exports to the total and create 2 million new American jobs.

But Mr. Chairman, we have set an even more ambitious target. As a direct consequence of the innovations and increased efficiencies of the National Export Strategy contained in the report, we expect American exports of goods and services to pass the trillion dollar mark by the end of the decade. That kind of export growth translates into 6 million new jobs.

Meeting the trillion dollar mark will mean that, in the year 2,000, more than 13 million Americans will be earning their living as a direct consequence of merchandise exports and countless more will be employed due to service exports.

We will start the fight for new markets and new jobs from day one with a series of ambitious steps.

- We can achieve the trillion dollar mark and fully intend to meet it. You will be able to measure our year-to-year progress in figures for higher exports and the jobs that come with them.
- For exporters—especially small- and mid-sized companies—daunted by the Byzantine organizational charts and acronym soup of U.S. Government agencies created to serve them, there will be relief. The National Export Strategy will create a series of user-friendly one-stop shops located in major export centers nationwide to provide export marketing and finance counseling. These facilities will bring together, under a single Federal Government coordinated management team, the resources of a wide variety of local, State and Federal Government agencies and a network of private sector export providers.

It seems like a simple idea. It is. But it is also a revolution in Government. And it is not just an idea, Mr. Chairman. Centers will open on January 1, 1994, in Baltimore, Chicago, Los Angeles, and Miami.

- The revolution does not stop there. None of the 19 agencies that work to promote exports will be left untouched. All will be more efficient. All will work better with one another. All will be dedicated to serving the needs of the Government's customers: the resources for all the agencies will be evaluated in a cross-cutting fashion. They will be viewed, as they should be, as the Nation's aggregate export promotion resource, to be allocated based on tomorrow's opportunities, not the entrenched interests of yesterday's bureaucracies.
- Business-people can now call one telephone number and reach a Commerce Department-based information clearinghouse offering the vast informational resources of the U.S. Government on potential export markets. Special reports will tie together the disparate documents on a country into a single, user friendly guide.
- We are encouraging private banks to return to the export finance market, filling a critical shortage for smaller exporters. And, we are recommending a consolidation of our feasibility study grant system to compete more effectively world wide.
- For America's exporters—large and small—who have lost international contracts to foreign competitors backed by the high-level advocacy of their governments, the National Export Strategy also signals change. Beginning immediately, focused coordinated and aggressive action plans will assure highest level U.S. Government advocacy for U.S. firms competing for public sector contracts throughout the world.
- We will systematically target markets with the greatest potential for U.S. exporters and then go to work to win greater U.S. market share. We are going to put the old adage of "getting there the fastest with the mostest" to work for U.S. exports.

With a strategy in hand and effective coordination in place, Mr. Chairman, we are better poised to meet the foreign competition and take advantage of the export opportunities created by new international trade agreements and the growth in emerging markets.

Altogether, Mr. Chairman, the National Export Strategy contains more than sixty recommendations.

The impact of your mandate, Mr. Chairman, goes well beyond the specifics of the National Export Strategy. You and Senator Sarbanes have helped focus the Administration's attention on the opportunities and the challenges posed by growing global competition.

We are an Administration elected to deal with the reality of change. And change in the international economic arena has been dramatic. The Cold War and its focus on international politics, masked an underlying economic revolution. When the Cold War started, Mr. Chairman, the United States was the world's unrivaled political, military, and economic power. We produced half the world's income and had a technological edge that stretched across the full range of industry.

For many industries, exports were an afterthought. We relied on having the "the better mousetrap" and much of the world did, in fact, beat a path to our export door.

That comforting world of seemingly endless and effortless economic superiority is over. While we remain the world's leading economy, our share of world GDP has shrunk to just about 24 percent. Our share of world manufactures is even lower.

Today, international commerce is thoroughly woven into the fabric of the American economy. In 1993, when you focus on exports you are focusing on job creation—seven million Americans already look to merchandise exports for their livelihood and millions more American jobs can be directly linked to service exports. With a rate of pay 17 percent above the average, export related jobs put millions of Americans a step closer to the American dream. As I said, Mr. Chairman, we intend to

add six million more of those high quality, high wage jobs by the turn of the century.

Exports are already vital to the economic health of key sectors of our economy. The computer, aerospace, heavy earth moving equipment, farm implement and many other industries are highly dependent on the export market. The same is true of agriculture, where one acre in four is harvested for the overseas market.

And the potential is growing. Europe and Japan are large and important markets. But there is enormous promise in Africa, Asia, Latin America and the emerging economies of Central and Eastern Europe as well as the former Soviet Union. In the 1990's, it is estimated that the requirements for new roads, bridges, ports and environmental clean up will pass the trillion dollar mark in Asia alone.

Growing world markets, however, do not automatically translate into U.S. export sales. In many markets, foreign governments have been more aggressive, more focused, and more effective than our own Government in helping their firms to secure export sales. Senior Government officials, up to and including the President or Prime Minister, will often travel the world to support the sale of their home country's goods and services. In Europe and Japan, government-backed export financing is more widely available and more flexibly used than in the United States. France, England, Italy and Japan, among others, have used their foreign assistance funds to support home country exports of capital and other goods.

Most of our industrial competitors have made a greater commitment to gathering information on potential export opportunities and a more effective job of overseas economic diplomacy.

The fierce competition for international markets comes first and foremost from the more innovative firms in Europe and Japan. In particular, Japanese companies have set the pace with a mix of aggressive business practices and a virtually economy wide commitment to quality, rapid time to market, ongoing innovation and customer satisfaction. American companies have been moving to meet the competition. In corporate parlance, they have had to "benchmark to the best," whether that best is in Chicago, Frankfurt, or Osaka.

The new realities of international competition have lessons for the U.S. Government as well. Persistent economic diplomacy and high-level advocacy; adequate export financing; improved efforts at information gathering and listening to your customer have become necessary components of an export policy.

In crafting the first National Export Strategy, Mr. Chairman, we listened to our customers—the taxpaying businesses and working Americans who are responsible for this country's international economic leadership. We held dozens of private sector meetings and spoke to individuals, export oriented firms, trade associations, and labor unions.

We listened and we responded. Over and over we heard the private sector raise the question of a Cold War export control regime that is keeping them out of many markets. I am pleased to say, Mr. Chairman, that we will help create additional jobs in our computer, telecommunications and other leading-edge industries by significantly reducing unnecessary export controls consistent with our national security needs and our foreign policy goals.

With your creation of the Trade Promotion Coordinating Committee, you have put us on the path of adopting the same habits of thought developed by our best companies. We need to measure our own export strategy against the flexibility and effectiveness of the competition.

Mr. Chairman, President Clinton and his entire team are focused on developing and putting into practice a growth strategy that promises more and better jobs and a rising standard of living for all Americans. You see that commitment in deficit reduction and in new technology, trade, and training policies.

Exports are central to that overall strategy. We believe, Mr. Chairman, that our role in building a better America at home and acting as an economic leader abroad is dependent on our ability to develop a coherent, aggressive and effective national export strategy.

Thank you, Mr. Chairman. I would be pleased to answer any questions you might have.

PREPARED TESTIMONY OF KENNETH D. BRODY

PRESIDENT AND CHAIRMAN, EXPORT-IMPORT BANK OF THE UNITED STATES

Good morning, Mr. Chairman, Senator D'Amato and Members of the Committee. It is customary for all witnesses to thank the Committee for the opportunity to testify. Often the gratitude is a necessary formality coming from a witness who neither

sought nor relished the experience. Today, for me, the thank you is quite sincere. This Committee held my nomination hearing five months ago today. Since that time, I have been working on the Trade Promotion Coordinating Committee (TPCC) trying to make good on my commitment to making the Export-Import Bank lead the way toward developing an export mentality throughout the country and seeking new ways to ensure the Bank's dollars work harder for the U.S. taxpayer. As Secretary Brown stated, the TPCC is the progeny of this Committee, and the Congress demonstrated remarkable foresight in the mandates of the TPCC. Foresight because the most important task facing the U.S. in this decade is the maintenance and creation of high-wage jobs.

The American public demands that Government help, not hinder, the private sector meet the challenge of job creation. A sound national export strategy is one of the most cost-effective ways to produce economic growth and jobs. In May, President Clinton recognized the opportunity the TPCC presented, when he stated at the Eximbank Annual Conference that "we want to end the duplication and overlap to make sure all these programs are customer-driven. We want our guide to be the needs of the exporters and the lenders."

Under the leadership of Secretary Brown, the Administration adopted the TPCC as its own and has made it work. The TPCC has produced a set of actions and recommendations that, if properly implemented, will give a great boost to the ability of American companies to compete in the global marketplace. The Secretary has set a goal of two million new jobs. We hope that this target proves to be conservative.

This Committee required that Secretary Brown find a way to bring 19 different agencies together to work toward the common goal of formulating a sound national export strategy. As this Committee well knows, getting nineteen agencies to agree on a strategy is no easy task. I know it may sound odd, but I think we had a good time attempting to meet this challenge.

Secretary Brown took the unusual step of asking someone outside his own agency to serve as his deputy. This is one way the TPCC avoided "Government as usual." We decided to take a novel approach with the TPCC. Rather than attempting to force agreement at the deputy and principal level, we pursued real policy development at the working level. We believed that interagency disputes would largely be avoided, if the focus stayed on policy, rather than turf protection.

We received unqualified cooperation from all of the TPCC Agencies. We asked that each agency assign experienced, professional staff to the working groups. The three working groups were divided into exporter focused areas: Trade Finance, Information, Marketing, Counseling and Advocacy, and finally, Export Impediments. Two commitments were asked of the participants. First, agency hats would be left at the door of all working group meetings. Second, the members of the working groups would meet every work-day for three hours a day, over a six-week period. To the credit of every agency, the working groups more than met their commitments. Each group produced policy and program recommendations that transcended traditional agency positions and that, most importantly, offered solutions, not more study and more process. The process was not just government talking to government. The Commerce Department hosted numerous meetings and conducted hundreds of discussions with companies large and small to make sure that the TPCC met the real needs of exporters.

Let me state that *not* all of the work is done. As Secretary Brown stated, the TPCC is an on-going process. Difficult substantive and organizational issues must still be addressed to advance many of the recommendations made in the report today. However, I believe Secretary Brown deserves a great deal of credit for leading the TPCC and developing a strategy that will make the U.S. more competitive. Throughout this process, he imposed one simple criterion: at the end of the day, the U.S. must be more aggressive and more creative in our trade promotion efforts than our competitors. For too many years, we have been too passive. We have allowed other governments to outwit and outwork the U.S. We hope that the report today is a long, first stride toward reversing those trends.

How will we be smarter and more aggressive in the area of trade finance? We recommend the consolidation of all feasibility studies for major projects primarily designed to support U.S. exports, including concept design and financial planning, at the Trade and Development Agency and the creation of a single office within the Department of Commerce to assist U.S. companies in pursuing projects financed by the Multilateral Development Banks (MDBs). This office will act as a liaison with the Department of Treasury and provide the information to the exporters through the one-stop shops. These two recommendations have related rationales. Gaining market share is often a function of being the first in the door in the most promising markets. Feasibility studies provide the key to opening the door because these studies set the conditions and criteria for a capital project. Development bank financing

opens the door because MDB projects are often the first and largest infrastructure projects in emerging markets. Taken together, better use of feasibility studies, and a more aggressive approach to MDB-financed projects will enable us to gain market access and market share.

A central goal of the TPCC in all areas was to make sure we did everything to maximize the chances for small and medium size businesses to export goods and services. The biggest obstacle for this sector is not the lack of Federal budget resources. The primary obstacles have been the lack of awareness of and access to pre-export working capital guarantees to support the sale of goods and services overseas. Small and inexperienced companies have been faced with both a general reluctance of commercial banks to provide export financing support and, confusion created by the existence of two different working capital programs at SBA and Eximbank. Secretary Brown emphasized that changes, such as the one-stop shops, will make it easier for these firms to avail themselves of Government expertise and information. In the area of trade finance, we adopted an innovative principle. The TPCC recommends maximizing accessibility and availability of capital by bringing the money to closer to the people.

The TPCC solution is to create one harmonized program that draws upon the best features of the two working capital programs and improve the delivery system by utilizing private sector intermediaries. When we combine SBA's broad geographical presence with Eximbank's more widely accepted program, the U.S. Government will offer a single working capital program. The TPCC recommends one set of simplified documentation that the exporter would use to access either program.

We intend to serve more small- and medium-sized companies and attract a broader spectrum of lenders into the market. Eximbank, in cooperation with the other agencies, will be training field staff, State and local agencies and the private sector, especially the commercial lenders.

This is just a brief description of the trade finance recommendations and actions of the TPCC, but this should give you a flavor of the TPCC's work thus far. President Clinton has left no room for doubt. We must create jobs that pay well and keep our economy growing. I am personally committed to doing my part through the implementation of the TPCC recommendations. I want to publicly thank those individuals who participated in the interagency working groups, the thirty plus employees of Eximbank who have contributed countless hours to this project and again thank Secretary Brown for his leadership.

I will gladly respond to any questions the Committee members may wish to ask.

PREPARED TESTIMONY OF ERSKINE B. BOWLES

ADMINISTRATOR, U.S. SMALL BUSINESS ADMINISTRATION

Mr. Chairman and Members of the committee, thank you for the opportunity to appear before you today. I am Erskine B. Bowles, Administrator of the U.S. Small Business Administration (SBA).

It is a pleasure to be here to discuss SBA's role in the Trade Promotion coordinating committee (TPCC) and SBA's plans for working with the other members of the TPCC to help small business take full advantage of the expanding opportunities in international markets. I would like to thank Chairman Riegle and Senator Sarbanes for their role in legislating the TPCC and for mandating a coordinated, Government-wide strategic plan to increase exports.

SBA fully supports and has been an active participant in the TPCC process. From the beginning, SBA has been a member of the TPCC and was represented in the working groups on Trade Finance and Information, Marketing, Advocacy, and Counseling. I am strongly committed to the goals of the TPCC and am convinced that SBA can play a vital role in seeing that those goals are met, particularly as they relate to small business. We are very optimistic about the opportunities for small businesses to export.

According to an article in the July 3, 1993 issue of *The Economist*, American merchandise exports have grown by 76 percent over five years, through 1992. Current exports of goods and services total about \$700 billion. Yet, the export market still is dominated by big businesses which have the resources to finance export activity.

Many of you are all too familiar with the obstacles small businesses face when seeking to expand into international markets. From the initial challenge of finding a buyer for their product or service, to ensuring that they can finance a sale—and get paid—if a buyer is found, small businesses often have needs that are distinct from those of larger firms.

I want to thank Secretary Brown for ensuring that the TPCC places a strong focus on the needs of small- and medium-sized firms. We now look forward to doing our part to translate those objectives into tangible results for small business.

After examining SBA's export finance programs, I am disappointed in the volumes that have been generated in the past. The TPCC process presents us with an opportunity to change these programs. With respect to our export finance programs, we will undertake some dramatic steps that will provide a meaningful solution to the long-standing export financing problems of small business. In cooperation with our partner, the Export-Import Bank of the United States (Eximbank), we fully expect to begin generating greater volumes. As you can see from the report, SBA will play an important role in this administration's export promotion and finance efforts.

The TPCC report highlighted a significant problem with the Federal Government's previous export finance efforts. Although Eximbank has a great deal of expertise and is widely recognized as the Federal Government's primary export finance vehicle, it is headquartered in Washington, DC, and has a limited presence throughout the rest of the country. SBA, on the other hand, has over 100 field offices across the country but in the past has focused primarily on the domestic financing needs of small business. The TPCC report recommends combining the strengths of the two agencies—Eximbank's expertise in export finance and SBA's presence throughout the country.

More specifically, the report recommends that Eximbank and SBA harmonize our respective agencies' export working capital programs to make them more attractive to both exporters and lenders. We intend to do this by eliminating duplicative and confusing applications and documentation, and by harmonizing our underwriting standards, policies, and other program features. This process has already started with representatives from both agencies meeting on a weekly basis and with a series of meetings with current SBA lenders.

We currently are discussing with Eximbank moving to a single guarantee percentage for export loans. Currently, Eximbank guarantees 100 percent of working capital loans; SBA guarantees up to 85 or 90 percent. In addition, we will establish uniform policies on program fees, interest rates, and terms. In the end, we hope to establish a single U.S. Government export loan program that retains the best features of each agencies' program.

The lending community has recommended the following to increase the attractiveness of SBA's export finance programs:

- create flexible fee schedules;
- remove caps on interest rates;
- harmonize SBA's and Eximbank's guaranty percentage so that the two agencies' programs do not compete against each other.

I have prioritized this as a major SBA initiative and will ensure the field support and training necessary to make this initiative successful.

In conjunction with the harmonization effort, we will undertake a one-year test of SBA's ability to deliver on its export finance program. Beginning in 1994, SBA and Eximbank will implement a market-segmentation plan that gives SBA sole responsibility for financing small businesses whose needs fall within SBA's individual borrower lending limits, currently \$750,000 and below. At the end of the one-year test period, if SBA's program does not show significant results, SBA will eliminate its program and all responsibility will be consolidated into Eximbank's Working Capital Guarantee Program.

In addition to our export finance responsibilities, SBA will play an important role in export promotion. In support of the TPCC goal to increase the number of U.S. exporters, SBA will participate in the "one-stop shops" and will continue to help small businesses evolve from export-willing to export-ready. By providing education, outreach and technical assistance to small businesses, we expect to help them grow to the point where they can take advantage of the programs offered by the Department of Commerce, Eximbank, and others.

Thank you for this opportunity to testify on behalf of the Small Business Administration. I will be happy to answer any questions you may have.

RESPONSE TO WRITTEN QUESTIONS OF SENATOR RIEGLE FROM RONALD H. BROWN

Q.1. As was pointed out at today's hearing, while the TPCC has made a good start, the task of strengthening America's export competitiveness is "an on-going process." What tasks that you were not able to accomplish this year do you hope to achieve by the time your second annual report is submitted to this Committee next September?

A.1. In the coming year we intend to implement the 65 recommendations included in this year's report. These recommendations include, among others: (1) the presentation of a unified export promotion budget as part of the fiscal year 1995 Federal budget process; (2) the creation of a Tied Aid capital projects fund; (3) the establishment of one-stop shops; (4) the streamlining of the working capital guarantee loan and feasibility study programs; (5) the creation of an interagency advocacy coordinating network; and (6) the development of commercial strategic plans for those countries with significant market potential. The TPCC will undertake efforts to identify significant target opportunities in particular areas of the world where greater export promotion efforts would result in significant additional penetration of those markets. Finally, the TPCC will address issues not raised in this year's report, such as service exports and overseas investment.

Q.2. One problem we have had as a nation is that we have not linked our trade negotiating priorities to job creation. For example, our negotiators have spent endless hours trying to open Japan's rice market when that wouldn't necessarily increase U.S. rice exports to Japan or create many American jobs. How are these sorts of issues being addressed by the TPCC?

A.2. As the subtitle of the report "U.S. Exports = U.S. Jobs" indicates, job creation is at the heart of President Clinton's effort to expand our export promotion efforts. As part of the creation of a unified annual budget, we intend to look at the job creation impact of particular export promotion efforts. We will attempt to assess the relative job creation impact of different Federal programs, and of the promotion of different products to different markets, and allocate resources accordingly.

Q.3. You state on page 60 of your report that by January 31, 1994, the Administration will prepare a status report with recommendations to streamline the export licensing process further. As you know, this Committee has jurisdiction over the Export Administration Act (EAA), which gives the President authority to control dual-use exports. We look forward to working with the Administration as it prepares its recommendations which we will then have to put in the form of legislation. Is it your intention to work with this Committee in the process of formulating your recommendations?

A.3. It is certainly this Administration's intention to work with the Senate Banking Committee in the process of formulating recommendations to streamline the export licensing process further. This will not be specifically carried out under the jurisdiction of the TPCC. As indicated during my testimony, the TPCC addressed export controls in this report, because U.S. businesses identified them

as a major impediment to selling abroad. However, it is the Bureau of Export Administration, the National Security Council and other key Government entities which will be addressing the issue of export controls and export licensing on an ongoing basis.

Q.4. In creating a coordinated export promotion program you are going to need to consider how available resources can be allocated among competing needs. How are you going to prioritize what geographic markets should be emphasized and for what kind of industrial products?

A.4. As previously stated, geographic markets will be one area of focus in our review of the unified export promotion budget for fiscal year 1995. In addition, we will look at the allocation of resources among industrial sectors to the extent possible.

Q.5. The TPCC report notes on page 2 of the overview chapter that "most of our industrial competitors have made a greater commitment to gathering information on potential export opportunities than have we." As you know, we have a huge agency, the CIA, that we have used for 40 years to gather and analyze political and military intelligence. Is there any consideration being given to have the CIA help gather, through nonclandestine means, and then analyze information on potential export opportunities?

A.5. While it would be inappropriate to discuss in a public report the specific activities of any of the intelligence agencies, it is clear that the entire U.S. Government has a strong commitment to focusing on economic opportunities, specifically in the area of exports. As part of creating a Federal advocacy network, we would hope that all of the agencies of the Federal Government would gather information regarding potential export opportunities and appropriate advocacy strategies for gaining a greater share of those opportunities for American exporters and American workers.

RESPONSE TO WRITTEN QUESTIONS OF SENATOR D'AMATO FROM RONALD H. BROWN

Q.1. ONE-STOP SHOPS: As outlined in the report, the TPCC is to establish one-stop shops in order to streamline export promotion and export finance activities of the Federal Government. The TPCC report stated that these one-stop shops will be set up in Baltimore, Chicago, Miami, and Los Angeles. When will an office be set up in New York? What is the timeframe for establishing these offices nationwide?

A.1. We have selected four sites for the establishment of one-stop shops in the beginning of 1994. The TPCC will test different approaches in these four pilot sites and then select the best features for designing and extending the one-stop shops to additional sites. The TPCC aims to identify 10 additional sites by June 1994 and establish them in 1995. The TPCC intends to have a national network in place shortly thereafter. New York, as a major trade and exporting center, would certainly be a logical place for a one-stop shop.

Q.2. TIMEFRAME: How will this effort to coordinate our export programs be different than past efforts to do the same? What is the timeframe for completing the coordination of the export promotion

programs? What do you believe these efforts will accomplish in terms of new job growth and economic stimulation?

A.2. The development and implementation of a national export strategy has received unprecedented levels of support from all agencies involved in export promotion. The President and his Cabinet are strongly committed to using the TPCC as the vehicle for coordinating our programs to ensure the most efficient and effective deployment of Federal resources. We expect that most recommendations contained in the report will be fully implemented by September 1994. Of course, improved coordination is an ongoing process, and we will continue to refine our strategy in the coming years.

As stated in my testimony and the preface to this report, we believe that it is entirely possible for the United States, with a focused export promotion effort, to move from \$700 billion of total exports to approximately \$1 trillion in total exports by the turn of the century.

Q.3. COMPETITIVENESS AND TAXES: How will the goal of increasing our competitiveness and increasing exports be met while costs of doing business here in the U.S. continue to climb (i.e., tax increases on small businesses, increased health care costs, regulatory burdens, etc.)?

A.3. The TPCC report outlines the beginning of a national strategy to help our businesses export more, to create jobs and economic growth. Exports are crucial to enhancing U.S. competitiveness. By enlarging the markets for products, exports permit firms to spread the costs of production over a larger pool of customers, thereby increasing returns on investment. Market diversification also serves as a cushion against downturns in domestic business cycles. Finally, exports make firms more competitive by sharpening incentives to innovate and enhancing firms' responsiveness to new product developments in the global marketplace. The efforts of the TPCC are being complemented by a number of other Administration initiatives undertaken to enhance U.S. competitiveness in such areas as "Reinventing Government," health care reform, deficit reduction, education, and technology policy.

Q.4. TIED-AID: Specifically, how do you propose to reduce the use of Tied Aid worldwide? Do you believe that a U.S. budget of \$50 to \$150 million will impact the use of \$6 billion in Tied Aid by our foreign competition?

A.4. The use of Tied Aid worldwide has already been significantly reduced through the actions of the United States and other OECD countries in negotiating and implementing the Helsinki package. In fact, several studies indicate that worldwide Tied Aid has been reduced from approximately \$15 billion prior to the agreement to an annualized amount of approximately \$6 billion in 1993. We propose to reduce the use of Tied Aid worldwide through further multilateral negotiations, as well as through the creation of our own Tied Aid capital projects fund to be used to convince our competitors to reduce their use of Tied Aid further. The \$150 million of subsidies proposed will actually create approximately \$600 million in Tied Aid loans. This is about one-tenth of the total being used worldwide.

Q.5. EXPORT CONTROL BUREAUCRACY: The bulk of the TPCC report addresses reorganization, consolidation and streamlining the bureaucracy of export promotion programs. Last February, Senator Mack and I wrote to the President regarding the reorganization of the export control bureaucracy. The President responded that he was making the issue a top priority. Has a decision been made by the Administration to support reorganization of the export control bureaucracy?

A.5. Yes. First, the TPCC report provides significant recommendations on streamlining the existing export control system. These recommendations are in the process of being implemented. In addition, reorganization in the Department of Commerce is underway as a part of the Bureau of Export Administration being designated a "reinvention laboratory" in the National Performance Review. Finally, the organization of the U.S. Government's export control activities is being reviewed as part of the reauthorization of the EAA. However, no decision has yet been taken on reorganization as part of the new EAA. The Administration will be consulting the Congress on these important issues over the next several weeks and months.

Q.6. UNIFIED BUDGET: Specifically, what are the line-items in the unified budget? Is it simply a list of current programs, a consolidation of programs by activity or some other approach?

A.6. The details of how the unified budget will be presented are being worked out by the Office of Management and Budget, the National Economic Council, and the TPCC. It is our intent to present an allocation of resources by agency, by generic category of activity, and by geographic focus.

Q.7. MARKET ACCESS: How would the proposed recommendations of the TPCC, if implemented, increase market access opportunities for U.S. exporters? Worldwide? To Japan?

A.7. Issues of market access are largely addressed through trade policy deliberations, specifically through the worldwide negotiations being conducted by the Commerce Department, the Office of the U.S. Trade Representative, and other agencies of the U.S. Government. It is the intent of the TPCC to formulate an export promotion strategy that will take advantage of trade policy initiatives which improve market access. For example, as our current framework discussions with Japan further reduce trade barriers, the national export strategy should permit us to take greater advantage of this market.

Q.8. STATE SURVEY: Can you provide the state survey results and concerns expressed by New York State and the New York export community? What concerns were unique to New York exporters?

A.8. In preparing our report, we consulted with officials from the Port Authority of New York and New Jersey as well as the New York State Department of Economic Development. In addition, we discussed state activities with staff from the National Association of State Development Agencies, which is the national umbrella organization for state development agencies. We attach herewith documents that were provided to us in connection with these consultations.

ATTACHMENT



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NEW YORK STATE AND INTERNATIONAL TRADE PROMOTION:

THE CASE FOR FEDERAL REFORM AND
EXPANDING STATES' ROLE



EXECUTIVE SUMMARY

From the New York State economic development vantage point, America needs a comprehensive national strategy for international trade promotion. Federal reform is essential to the creation of this strategy. Specific proposals for change include:

- Expanding US&FCS activities to fully cover more country markets;
- Enlarging and integrating Eximbank trade finance activities with an increased focus on short-term, pre-export, working capital financing for smaller companies;
- Improving automated information on US companies available to prospective foreign buyers and on international markets and companies for US exporters;
- Collecting better national and state and regional data on export, import and investment flows;
- Reevaluating the merits of greater federal support for agricultural exports than for manufactured goods;
- Redefining the objectives of trade and investment promotion in the developing world given the new global context.

There is an urgent need in the US for coordinated public/private sector trade promotion, as we lack the sophisticated export assistance infrastructure of our major trading partners. In responding to pleas for assistance, states have been at the front lines of international economic development, helping small and medium-sized firms increase exports through innovative programs. As part of the new federal/state partnership for the promotion of international trade, the federal government should:

- Establish a mechanism for regular consultations on strategy between the Secretary of Commerce and state economic development leaders;
- Maximize trade expansion by building on the expertise of states, offering trade development grants for the most successful state programs;
- Enhance the availability and accessibility of trade finance for smaller firms, particularly pre-export working capital, for example by co-locating service delivery with state offices;
- Devote additional focus to strategically important industry sectors, such as advanced technologies, services and environmental exports;
- Increase the role of states in the negotiation and implementation of international trade agreements whenever subnational practices and interests are at stake.

I. AMERICA NEEDS A COMPREHENSIVE STRATEGY FOR TRADE PROMOTION

In recent years, exports have grown in importance to the US economy, reaching almost 10% of GNP, accounting for 70% of GNP growth in 1990-91, and attenuating the effects of national recession. However, as the pace and volume of international trade, investment, technology transfer, joint ventures and other strategic business alliances intensify, the sophistication and strength of our trading partners and competitors grow as well. Given their history of trade dependence, our major trading partners have much more developed export sectors — the EC countries' exports generally exceed 30% of GNP; Canada's are 25% of GNP and Japan's are 14% of GNP.

Since the 1980's, trade has risen twice as quickly as output. Regional and global trade liberalization has been ushered in by such arrangements as the Single European Market of EC92, the US-Canada Free Trade Agreement, the proposed North American Free Trade Agreement, common markets in Central and Latin America and the "co-prosperity sphere" in Asia fostered by Japanese investment, trade and manufacturing agreements. It has never been more critical for the US to expand and strengthen competitiveness in international markets through trade. In doing so, our nation will increase capital investment in high value-added industry, develop new commercially viable technologies and create and retain quality employment for workers.

II. FEDERAL REFORM: RECOMMENDATIONS FOR ACTION

In order to promote international trade on behalf of US businesses and workers, the Administration should establish a national strategy for trade promotion efforts with a clear mission and measurable goals. Coordination of all non-agricultural trade promotion and international business development activities under the Department of Commerce should be the starting point. The allocation of federal resources to Commerce, Agriculture, Small Business Administration, Agency for International Development, Overseas Private Investment Corp., Eximbank, and other agencies should be reexamined, and opportunities for efficiency-boosting consolidation explored with the Office of Management and Budget. Specifically:

- 1 • Expand the overseas commercial offices and personnel of the US and Foreign Commercial Service and ensure closer coordination between US&FCS and Foreign Service officers to cover commercial developments in more country markets. This action would ensure that agent/distributor identification and market intelligence gathering for trade leads, technology transfer and business partnerships are done in more diverse international markets than at present. Moreover, communication between overseas and domestic US&FCS offices should be better coordinated to ensure that US companies are efficiently advised of market opportunities. It has been our experience that Commerce's regional offices are often unaware and uninvolved in US&FCS efforts in NYS.

- 2 • Integrate and expand the export financing programs now at the Exim Bank, SBA, and the Commodities Credit Corporation, as well as the projects of the Overseas Private Investment Corporation, to make programs user-friendly, to broaden their focus from capital goods financing to more short-term, pre-export financing; to develop uniform risk guidelines, coverage, documentation and fees, and to pro-actively use export financing as a trade promotion tool.
- 3 • Create an interactive, on-line computer bulletin board featuring US company, product and industry information for use by foreign buyers in US&FCS overseas offices, trade shows and other trade promotion events. Information for the system could be provided by states, municipalities, ports and business groups, assisting US exporters to penetrate international markets.
- 4 • Improve the quality of information on international markets and business conditions. When contrasting export market opportunities with domestic markets, US firms often complain that the comparative absence of detailed information on foreign companies and markets (such as credit reports and country-risk analyses) constitutes a major disadvantage for US exporters. To address this information gap, Commerce and the US&FCS should work with the private sector to bring detailed international credit and country risk information to smaller firms.
- 5 • Collect better information on US and state-level trade and flows of goods and services to permit more accurate reporting and informed policy-making. Basic Census export data has been improved by MISER (Mass. Institute for Social Economic Research) to indicate state export volumes. Next steps should include: identifying export, import flows and investment flows by zip code or census tract in order to permit more precise regional targeting of trade assistance; collecting trade data on services exports by state, and classifying import flows by state.
- 6 • Reevaluate Federal support for the promotion of agricultural exports. It is estimated that US expenditures for the promotion of manufactured exports amount to only \$0.93 per \$1,000 of goods, while federal spending on agriculture is \$50 per \$1,000.
- 7 • Redefine the missions of AID, OPIC, USIA, the World Bank and other development banks, and international education efforts to fit new global realities. In the post Cold War context, the US cannot afford to grant significant trade and investment concessions to other nations in exchange for foreign policy objectives, without heed to US economic competitiveness. As examples of ways of improving smaller firms' access to international markets, development banks should coordinate their publicity and promotion of projects and related business opportunities, and AID should ensure that in-depth studies on market conditions of developing markets, commercial organization, socio-economic conditions, cultural factors and trade prospects are readily available.

III. A NEW FEDERAL/STATE PARTNERSHIP TO PROMOTE INTERNATIONAL TRADE

To improve coordination of programs and strategies between states and the federal government, the Secretary of Commerce should establish a trade promotion partnership with state economic development leaders including regular consultations on strategies, respective tasks and responsibilities, program development and outcomes. States can provide federal officials with recommendations on business needs related to trade promotion and program design based on direct experience "in the field." All too often, our scarce national resources for trade and investment development are spent in competing with neighboring states or localities, rather than on supporting coherent and coordinated national, regional, and local strategies for international economic development.

1. Trade Development Grants to States

To best deploy government assistance for trade promotion, the federal government should make use of state-level economic developers. States, familiar with local economic conditions and business needs, have already developed innovative programs to promote trade. States should be used by federal policy-makers as laboratories for implementing effective economic development and building international competitiveness.

To bolster US business assistance efforts, we recommend that adequate federal funding for trade development grants be targeted to state-level programs which have demonstrated effectiveness at building international competitiveness, developing trade relationships, cultivating new technologies, attracting investment and fostering public/private partnerships. Funding resources for this new grant program should be earmarked during the consolidation and reallocation of federal programs described in the previous section.

State departments of economic development could allocate grants to public/private groups on a competitive basis, rigorously evaluating programs, and funding them based on the achievement of specific measurable outcomes. Programs supported by federal grants to qualified states should include:

- Customized technical assistance to firms for export development;
- Formation of manufacturing networks and regional industry clusters to foster cooperation, information-sharing and market intelligence gathering;
- ISO 9000 assistance for companies seeking qualified consultants for the pre-certification and certification process in order to comply with new European quality standards;

- Development of technical product expertise in international markets on the part of strategically important industry associations, based on existing models of success;
- Expansion of partnerships between state economic development agencies and universities to deploy students traveling to international markets to conduct market research and export strategies on behalf of small firms;
- Targeted marketing of international joint venture and business partnership opportunities for technology transfer, investment and global applications of new products and technologies.

2. Trade Finance

Trade finance, specifically pre-export, working capital assistance for smaller firms, is essential to support emerging exporters. In addition to the Eximbank-led coordination of trade finance programs recommended earlier, the Administration should:

- Expand the City-State Program of Eximbank to increase the focus on the pre-export working capital needs of small and medium-sized businesses and to create networks of banks and other private sector lenders to work with smaller firms;
- Open one of the authorized regional Eximbanks in New York State — an optimum location given the vital role played by New York City-based banks and other financial institutions in financing worldwide commerce;
- Create one-stop shopping centers for trade promotion by co-locating federal trade finance and export assistance offices with state-level counterparts, and expanding states' facilitating role as a clearinghouse for federal assistance;
- Allow Eximbank programs to support firms building exportable products as part of a defense diversification strategy.

3. Industry Targeting

In addition to existing efforts, we recommend that the Department of Commerce focus on such areas as:

Advanced Technologies: Commerce and state-level economic development departments should co-sponsor major trade shows in selected high technology industries and should focus on helping high tech companies develop trade relationships with international sales agents and customers. Commerce should supplement its existing Foreign Buyer Program, enhancing trade promotion and investment attraction by focusing on such essential technologies as telecommunications, medical equipment, instruments, biotechnology,

software, optics, electronics and advanced materials. Commerce should work with states to highlight new technology product developments and commercial applications through an annual international conference devoted to showcasing US innovations.

Services: New York and other states have international preeminence in the FIRE sector (financial, insurance, real estate), management consulting, engineering, retailing, licensing, franchising, telecommunications services and other business services. The services sector should be aggressively promoted to international markets — Mexico and China are examples of promising markets. As most traditional economic development work has focused on manufacturers, more expertise on assisting services firms to export is needed.

Environmental Exports: The DOC should work closely with state-level economic development agencies, industry leaders and non-governmental organizations such as the World Resources Institute to promote US "green industries" to promising international markets, notably Asia, Eastern Europe and Latin America. Changing economic and political conditions in the environmental arena, along with government regulations, create barriers to trade and significantly complicate business development efforts.

4. State Role in Trade Agreements

The role of states in the negotiation and implementation of international trade agreements should be increased. The Inter-Governmental Policy Advisory Committee should be expanded to ensure that state-level concerns have standing in international trade matters whenever subnational practices and interests are being considered by federal and international authorities. In particular, the USTR should ensure that:

- States have input into the harmonization of environmental, product, safety, health labor and other standards;
- State-level standards may be retained and not considered trade barriers when such standards are higher than federal or international minimums;
- States are included in the formation of trade policy and dispute settlement on a regular, formal basis, whenever international agreements impact state-level practices;
- States receive coverage from the federal government for the costs of new mandates, such as implementing procurement provisions in GATT and NAFTA;
- States are involved in future trade liberalization negotiations affecting investment, procurement and other areas of commerce, and
- The federal government coordinate with states to resolve outstanding border infrastructure issues arising from trade agreements.

IV. RATIONALE FOR CHANGE: FEDERAL ASSISTANCE FOR TRADE PROMOTION HAS BEEN INSUFFICIENT

The overwhelming majority of US firms do not export, and are generally unfamiliar with international trade. According to the Institute for International Economics, only 15% of US firms account for 85% of all US exports, and only 3% of US businesses sell in more than five foreign countries. Though there is real potential for trade expansion, the US lacks the necessary infrastructure for trade promotion — federal trade assistance programs focus efforts on the nation's largest exporters; commercial banks are reluctant to finance trade transactions for smaller firms; and private sector chambers, trade associations and industry groups offer networking, seminars and lobbying services rather than hands-on technical assistance for exporting. The nation is placed in an unfavorable competitive position vis-à-vis our major trading partners, all of whom act aggressively and strategically to help their small and medium-sized firms to export and invest. In Germany, for example, their well integrated export promotion policies are coordinated by government with private industry and labor, and are implemented locally and regionally by largely private sector chambers and trade associations.

Compared to major trading partners, the US is ranked last in spending on export promotion. Canada, our largest trading partner, spends 25 times as much, while German federal expenditures were twice as much as the US in relation to GNP.

Trade dependent European countries, in addition to their far greater overall support for export activity, have recognized that small and medium-sized firms drive the entrepreneurial engine of trade growth, and have designed programs accordingly. To fill the gap left by minimal federal involvement in trade promotion, states have developed their own trade and investment promotion programs. Through such strategies, states and their small and medium-sized firms have grown increasingly aware of the income and job-creating benefits of foreign direct investment (FDI) and trade.

V. STATES HAVE CREATED INNOVATIVE, EFFECTIVE PROGRAMS FOR HELPING FIRMS INCREASE EXPORTS

Many states have recognized that small and medium-sized firms are now, and will continue to be, essential to the generation of export-led economic growth, and that government trade promotion services must address the needs of these firms on a region-specific and industry sector-specific basis.

In New York State, Governor Mario M. Cuomo's Global New York initiative has helped more than 3,500 businesses break into or expand sales to international markets, leading to over \$125 million in additional exports. Innovative Global New York programs reach out to smaller exporters to develop their trade potential — maximizing available federal resources and customizing services to meet specific firm, industry and regional needs.

Global New York Initiatives include:

- Statewide Network of regional trade promotion groups and industry associations: supported by Department of Economic Development Export Trade Development Program, grants, training and technical assistance from International Trade Specialists in Albany, Rochester, Syracuse, Buffalo, Long Island and New York City, and Department of Commerce's regional offices, this Network ensures that firms receive export education and quality services tailored to their local and industry sector needs.
- GEMS (Global Export Market Service): offers 50/50 matching grants to firms and industry groups. Over 800 firms have been assisted with grants ranging from \$3,250-\$50,000, to assess their potential to begin or increase exporting, and to create and implement foreign marketing strategies.
- EMAS (Export Marketing Assistance Service): directly links the export-ready firm with European, Canadian and Asian sales/distribution channels, providing more intensive customized assistance than the similar Department of Commerce program. Since its 1989 inception, 249 firms have been assisted.
- IPP (International Partnership Program): develops and strengthens trade and cultural linkages around the world. Agreements have been signed with Italy, Israel, Jiangsu Province in China, Poland, Japan and Lithuania.
- ATLAS (Automated Trade Leads Assistance Service): building on Commerce's TOPS with leads obtained by New York's own mailings and foreign offices, provides automated access to trade leads and export market information for subscribers. Currently, 200 firms receive export sales leads - over 18,000 trade leads were processed in fiscal year 1991-92.
- NYS Export Finance Program: a public/private partnership, offers medium-term export loans, supported by an Eximbank guarantee, for capital goods and equipment. In addition, NYS has a short-term working capital facility under development, with pre-export financing to be available in 1993-94.
- Trade Shows: represent companies with a targeted focus on key international markets and industries. In 1991-92, 556 NYS companies participated 15 different trade and catalogue shows around the world, generating 3,325 trade leads.
- High Tech Global New York: promotes the State's unique high tech resources through trade missions to Europe and Asia, conferences and regional industry tours in NYS.
- Partnership between the Department of Economic Development/State University of New York: uses graduate business students traveling to Asia, Latin America and Europe to do market research and develop exporting strategies for NYS firms.

APPENDIX

Background on New York State International Activities

New York has unique strengths to further build international trade relationships, given its "State of the World" status.

- New York City is at the center of the global marketplace — host to the United Nations; headquarters for some of the world's most powerful international corporations; home to the world's communications systems in news, finance, publishing and the arts.
- New York is an international service center, able to offer unparalleled products to world regions needing technical and developmental assistance.
- New York ranks among the top ten states in technology resources, offering an impressive climate for the growth of high value-added, high technology industry.
- As is true at the international and national level, trade growth in New York State is increasingly leading economic growth. The State's export sales from 1987 to 1989 grew 16%, while domestic sales rose only 3%. During the 1990-91 recession, domestic sales suffered, while export sales fell only 1.3%.

New York Exports

Though surpassed in export volume by California and Texas, the exports of third-ranked New York are distinguished by impressive growth in recent years, and by product and market diversification. NYS exports amounted to \$31 billion in 1991 — up over 16% from 1989 levels, for over 7.3% of total US exports. The top six industrial export sectors in 1991 (industrial machinery and computers, electric/electronic equipment, transportation equipment, instruments, primary metals - primarily gold bullion, and miscellaneous manufacturing) account for only 68% of total exports; a clear indication of the wide variety of manufactured exports. The top six country markets for NYS exports, namely Canada (\$6.7 Bn) Japan (\$3.1 Bn), the United Kingdom (\$2.1 Bn), Switzerland (\$1.8 Bn - a significant market for gold bullion, artwork, jewelry and antiques), Germany (\$\$1.6 Bn) and France (\$1.5 Bn), have remained strong and consistent in the past three years.

NYS exports have also gained ground in other global regions in recent years — with double digit growth rates in major country markets in Asia, the Middle East, and Latin America, and some triple digit growth in Eastern Europe. NYS exporters shipped to over 30 new markets since 1987 to encompass nearly 200 countries by 1991.

NYS Export Growth to Selected World Regions - 1990-91

Region	Countries	% Increase
Asia	Hong Kong	25%
	South Korea	55%
	Taiwan	43%
	China	80%
Latin America	Mexico	11%
	Venezuela	29%
	Argentina	53%
	Chile	19%
Middle East	Israel	14%
	Saudi Arabia	65%
	Egypt	15%
	UAE	18%
Eastern Europe	New Indep. States	109%
	Poland	115%
	Hungary	39%
	Czechoslovakia	105%

New York Services Exports

The prospect for international growth in the services trade is fueled by increased efficiency in manufacturing and advances in telecommunications and transportation, which allow for the provision of services across national boundaries, sometimes without involving the movement of people or products. New York State has considerable intellectual capital, and therefore competitive advantage in the provision of services -- for example: R&D in pharmaceuticals and computers; innovative financial products, sophisticated applications of engineering and computer software. Though precise state-level data on services exports are not available, it is estimated that NYS exports over \$15 billion in services annually.

Investment in New York State

Foreign direct investment (FDI) in the US has provided a significant boost to the national and State economies in the past three decades and particularly during the 1980's. In 1990, the outstanding value of FDI in the US was \$572 billion. More than three out of every five of the 500 largest foreign-based companies have facilities in New York State. Gross property, plant and equipment of affiliates of foreign companies in the State, excluding banks, total over \$36 billion, and such companies employ 349,200 New Yorkers, over 30% of whom are in the manufacturing sector. FDI has risen by 30% in employment terms, and doubled in dollar terms since 1986. European companies (predominantly the UK) account for 61% of this employment, Canadian 16% and Japanese 12%. Although New York State has its "fair share" of employment in existing foreign affiliates, at over 7% of the US total, the State's share of new employment is less than 5%. To ensure that our investment attraction efforts capture essential high value-added industries with the technologies which will dominate future global markets, more attention needs to be paid to assisting NYS firms in developing strategic business alliances, including investment, joint ventures, licensing, and technology transfer.

The State of New York must confront daunting challenges as it follows its mission to effectively position itself in the global economy. NYS has made great strides in creating innovative programs to address the international climate of change. The current range of program offerings addresses the needs of emerging, existing and established exporters and international investors.

Major International Market Prospects

Given world movement toward trading blocs and delayed progress on the GATT, NYS companies should prepare to counteract the risk of rising protectionism in international markets, through building long-term trade relationships, by establishing strategic business alliances, and by ensuring that assistance programs remain flexible to adapt to changing market conditions.

- European market Integration presents varied opportunities and challenges. NYS should capitalize on its unique geographic proximity and cultural ties to Europe, a market which takes \$11 billion in NYS exports, in the dawning "era of the Atlantic." Market opportunities should grow, along with competitive pressures, as European Community (EC) and European Free Trade Association (EFTA) trade policies harmonize. The EC budget should provide increased development assistance to comparatively poorer member states - Spain, Portugal, and Greece - allowing these economies to be more valuable export markets for NYS. Internal conflicts in Eastern Europe and the EC, along with recessionary conditions, may slow demand for NYS goods and services.

- NYS-Canada trade has prospered and grown in diversity under the FTA, investment remains strong due to NYS proximity, market size and comparative advantage, and both trade and investment ties are expected to grow stronger. Canada is our largest single country market, accounting for \$6.7 billion, or 22% of total exports. The NYS-Ontario Memorandum of Understanding, and the MOU being negotiated with Quebec, should provide significant economic development benefits through joint projects in the high tech, tourism, strategic alliance and labor/management areas. Cross-border and regional linkages between NYS, Ontario and Quebec should enhance economic growth for mutual benefit. Tension in Canada-US trade relations, as well as Canada's recession and constitutional difficulties, directly impact NYS trade prospects.
- In the Asian region, Japan, our second largest country market at \$3.1 billion, has been demonstrating an increased willingness to import, presenting significant opportunities for NYS firms despite recessionary conditions in the short-term. The impressive growth of the "four tigers" (S. Korea, Taiwan, Malaysia, Singapore) and of Hong Kong should continue, albeit dampened by recessionary conditions in Japan, US and European markets. The gradually increasing economic openness of the Indian subcontinent also shows promise for NYS exporters and investors. The near and long-term potential for trade and joint venture opportunities in Asian markets is significant. Market liberalization and continuing foreign investment should foster rapid and impressive economic growth in China. However, import restrictions, persistent tensions between the PRC and the US, and possible turmoil after Deng's death will all moderate market opportunities.
- Political and market reforms in Mexico have improved trade prospects for NYS firms markedly. Mexico ranks ninth in NYS export markets, taking \$887 million in goods in 1991. While approving of greater trade with Mexico, many NYS firms have serious reservations about the North American Free Trade Agreement (NAFTA). NYS can expect greater competitive pressure on many manufacturing firms, and increased numbers of dislocated workers. It is hoped that side agreements now under negotiation will fully address concerns over workforce disruptions, labor standards, environmental protection and import surges. Major NYS-based multinationals and many service providers would benefit from greater access to Mexico's market. Sectors expected to gain from increased trade liberalization include computers and electronics, machinery, pharmaceuticals and chemicals, transportation equipment, pollution control equipment, plastics, instruments, telecommunication equipment and services. NYS firms are poised to meet the challenges and seize opportunities from liberalized trade with Mexico.
- If the NAFTA with Mexico proves a success, trade liberalization is likely to be expanded to other nations in the Western Hemisphere. The general climate of political and economic reform in Latin America in recent years should continue to improve market prospects for NYS products and services. NYS should position itself for a central role in encouraging greater trade throughout the Americas, working with

the Council for the Americas, the Americas Society, and other key organizations located in NYC.

- Given reconstruction from war in the Middle East, and current improvements US-Israel relations, export prospects for NYS firms should continue to show improvement. Israel ranks 11th in NYS markets, taking \$837 million in exports, while Saudi Arabia ranks 14th, with \$719 million in exports.
- To take advantage of changes in Eastern Europe and the New Independent States (NIS), NYS companies must be aware of the risks, have patience, and be committed to a long-term involvement in the region. Given the need for technical assistance, varied services exports are in high demand, especially in the business, financial, telecommunications, pollution control, environmental, and energy services sectors. Though currency resources are limited, there is demand for a wide array of consumer and capital goods. It is also the case that substantial European and Asian investment capital will be absorbed in Eastern Europe, potentially lessening foreign direct investment (FDI) available to NYS.
- Significant democratic reform in Africa, particularly in South Africa, should improve markets for NYS goods and services.

FOR MORE INFORMATION ON THE PROPOSALS IN THIS PAPER, PLEASE
CONTACT:

Tony Gaetano: (518) 474-2776
Senior Deputy Commissioner and Coordinator-Global New York
NYS Department of Economic Development
(518) 474-2776

THE NATIONAL ASSOCIATION OF STATE DEVELOPMENT AGENCIES 1992 STATE EXPORT PROGRAM DATABASE (SEPD)

State: New York

Name of Respondent: Stephen J. Koller
 Title: Director, International Division
 Phone: 212/827-6220 Fax: 212/827-6263
 Date: July 13, 1992

Trade Director: Stephen J. Koller
 Complete Name of Office: Director, International Division, New York State Department of Economic Development
 Address: 1515 Broadway
New York, New York 10036
 Phone: 212/827-6220 Fax: 212/827-6263

I. MISSION STATEMENT

To provide targeted assistance through various programs designed to improve the ability of New York State businesses to compete effectively in international markets.

Is your state trade office: ☒ Public only
☐ Private only
☐ Public/Private

II. TARGET MARKETS

1. Within the State

a. Specific industries targeted for trade development assistance: Medical, scientific instruments, high-technology, electronics, agribusiness, others.

b. Description of Companies Assisted: Small and medium-sized companies.

2. Overseas

a. Indicate which regions your office's activities are targeting, in rank order if possible

- | | | | |
|---|-----------------------------------|----|------------------------|
| 1 | Western Europe | 1 | Japan |
| 1 | Canada | 6 | Southeast Asia (ASEAN) |
| 4 | Mexico | 2 | China/Taiwan |
| 3 | Latin America (besides Mexico) | 8 | Other Asia |
| 5 | Central/Eastern Europe | 11 | Australia |
| 7 | Former Soviet Union | 10 | Other Africa |
| 9 | Middle/Near East, Northern Africa | | |

III. EXPORT NETWORKS

1. With Federal Government

a. Please briefly describe the relationship between the State and US&FCS District Office: Close and frequent contact, co-sponsor numerous seminars and other events, exchange trade materials and information.

b. Please indicate which Federal programs your state has taken advantage of in the last two years: US Department of Commerce

☒ US & FCS

☒ domestic

☒ overseas

☒ Country Desks

☒ Industry Specialists

☒ BXA

☒ AID

☒ TDP

☒ SBA

☐ Department of Agriculture

☒ OPIC

☒ State Department

☒ EXIM Bank

☐ Customs

Other: _____

2. With Local Agencies

Briefly describe the relationship between the State and local economic development organizations in trade development (please specify who the local players are): State is an active member of Regional and District Export Councils. Works closely with the international trade clubs and associations throughout the state; also chambers of commerce and county industrial development agencies. Major cooperative efforts exist with Port Authority of NY and NJ.

3. Public/Private Partnerships

Are there any Public/Private sector partnerships in your state to promote trade development:

☒ YES

☐ NO

If YES, please list and briefly describe: The World Trade Council is the Governor's advisory authority on state foreign trade and investment policy. Programs and policies are designed to increase international activities of New York firms.

4. Is your state a member of a multistate trade promotion group? ☒ Yes ☐ No

Name of group: District Export Council/Regional Export Development Council

Briefly describe group activities: Groups work on various trade/export promotional activities and share information on various activities — trade shows, missions, etc. covering the New York/New Jersey metro regions.

IV. BUDGET AND STAFF

Comparability between state trade budgets is very difficult due to the uniqueness of each state's program. This survey is specifically interested in your state's total expenditures for Trade Development/Export Promotion activities. NASDA recognizes that, in many cases, these budgets are intermingled with other international program budgets such as foreign investment attraction and international tourism. We ask that you make your best effort to distinguish between the different program areas by listing them separately. If this is not possible, please indicate which other state agencies should be contacted for those figures you cannot provide.

1. Total state international appropriation for FY92 (July 1991-June 1992) \$ 5,082,000

Trade Development/Export Promotion	\$ <u>3,772,000</u>
Investment Attraction	\$ <u>1,200,000</u>
Agricultural Export Promotion	\$ <u>Dept. of Agriculture</u>
International Tourism Promotion	\$ <u>110,000</u>
Other (please specify)	\$ <u>0</u>

2. State Trade Development/Export Promotion Budget for FY92 \$ 3,772,000
☐ Same as FY 1991 ☐ Less than FY 1991 ☐ More than FY 1991

Your Office	Other Office		
☐	☐	Staff	\$ <u>N/A</u>
☐	☐	Travel	\$ <u>N/A</u>
☐	☐	Marketing	\$ <u>N/A</u>
☐	☐	Matching Funds/Grants	\$ <u>N/A</u>
☐	☐	Finance Programs	\$ <u>N/A</u>
☐	☐	Other	\$ <u>N/A</u>

Please list other state funded offices that provide trade development/export promotion services: _____
Department of Agriculture and Markets

3. Which international program areas have been affected by budget changes:

☐ Number of staff	☐ Counseling
☐ Seminars	☐ Marketing
☐ Overseas offices/ reps	☐ Trade missions
☐ Export Finance	☐ Trade shows
☒ Other <u>Export Assistance Grants</u>	

4. Trade Staff (including overseas offices and representatives).

How is your trade staff divided: ☒ By country/market specialists
☐ By industry specialists
☐ Too small to be specialized
☐ Other: _____

Please indicate if staff are also involved in investment attraction (FDI) or other international activities.
☒ Yes ☐ No Other: _____

DOMESTIC OFFICE	Number	Activity (% time spent)			
		Trade	FDI	Tourism	Other
Total Staff	25	70	20	0	10
Professional Staff	18	70	20	0	10

OVERSEAS OFFICE(S)	Number	Activity (% time spent)			
		Trade	FDI	Tourism	Other
Total Staff	17	40	50	0	10
Professional Staff	12	40	50	0	10

5. What was the date of your last trade office reorganization (mo./yr.)? November 1991
6. What was the date of the last evaluation of:
the trade office (mo./yr.)? January 1992
foreign offices/ reps (mo./yr.)? April 1992

V. INTERNATIONAL BUSINESS DEVELOPMENT PUBLICATIONS

1. Newsletters
- Separate international newsletter ☐ YES ☒ NO
- Name of newsletter: _____
- Section in agency newsletter ☐ YES ☒ NO
- Cooperative effort on newsletter ☐ YES ☒ NO
- With whom: N/A
- Number of issues per year: _____
- Number distributed domestically/year: _____
- Number distributed internationally/year: _____

2. Handbooks/Directories

Please fill out a separate table for each handbook/directory your office produces concerning trade development.

HANDBOOKS/DIRECTORIES	
TITLE	Global New York
☒ Brochure ☐ Directory ☐ Catalog ☐ Other: _____	
DATE LAST UPDATED	September 1990
CONTENT DESCRIPTION	New York State export assistance program descriptions.

HANDBOOKS/DIRECTORIES	
TITLE	NYS Export Finance Program
☒ Brochure ☐ Directory ☐ Catalog ☐ Other: _____	
DATE LAST UPDATED	New - March 1992
CONTENT DESCRIPTION	Program description.

HANDBOOKS/DIRECTORIES	
TITLE	New York Exports
☐ Brochure ☐ Directory ☐ Catalog ☒ Other: <u>Annual Report</u>	
DATE LAST UPDATED	1991
CONTENT DESCRIPTION	Summary of New York State exports by commodity and foreign market of destination.

HANDBOOKS/DIRECTORIES	
TITLE	New York and the New Europe
☐ Brochure ☒ Directory ☐ Catalog ☐ Other: _____	
DATE LAST UPDATED	New - Fall 1992
CONTENT DESCRIPTION	Guidebook for small and medium sized New York firms to assist in entering European Market.

VI. OUTREACH, COUNSELING AND MARKETING SERVICES

1. Outreach and Counseling Services

OUTREACH AND COUNSELING SERVICES		
Type of Assistance	Provided	Number/month
In-house Counseling Sessions	☒ YES ☐ NO	N/A
On-site Counseling Sessions	☒ YES ☐ NO	N/A
Unsolicited Calls to Businesses	☒ YES ☐ NO	N/A

2. Experienced exporters outside of State office used to provide counseling (e.g. Mentor program)

☒ YES ☐ NO

3. Intern Program: Do you offer internships to:
- | | | | | |
|----------------------|-------------------------------------|-----|-------------------------------------|----|
| High School Students | ☐ | YES | ☒ | NO |
| College Students | ☒ | YES | ☐ | NO |
4. Market Studies/Research
Prepared for companies by:
- | | | | | |
|-------------------------------------|-------------------------------------|-----|-------------------------------------|----|
| State staff | ☐ | YES | ☒ | NO |
| Overseas office staff | ☐ | YES | ☒ | NO |
| Outsourced | ☐ | YES | ☒ | NO |
| Use USDOC information | ☒ | YES | ☐ | NO |
| Use National Trade Data Bank (NTDB) | ☒ | YES | ☐ | NO |
| Modify USDOC information | ☒ | YES | ☐ | NO |
| Done by industry sector | ☐ | YES | ☒ | NO |

VII. MATCHING BUYER AND SELLER

- 1.a. Do you operate a trade lead matching program?
- | | | | |
|-------------------------------------|-----|--------------------------|----|
| ☒ | YES | ☐ | NO |
|-------------------------------------|-----|--------------------------|----|
- ☐ Manual
- ☒ Electronic (pls. name software used)
- ☐ USDOC Electronic Bulletin Board
- ☐ World Trade Center NETWORK
- ☒ Other: Custom designed

Please describe your trade lead matching activities: Switching from Export Opportunity Bulletin to an automated system which will match state and TOPS leads with subscribing companies through computerized data bases.

- b. Does your office target specific companies for matching with business opportunities?
- | | | | |
|-------------------------------------|-----|--------------------------|----|
| ☒ | YES | ☐ | NO |
|-------------------------------------|-----|--------------------------|----|
- ☒ New-to-Export
- ☒ New-to-Market
- ☐ Other: _____

- c. Sources of trade leads:
- | | |
|--|---|
| ☒ State overseas offices | ☒ U.S. Department of Commerce (i.e. TOPS) |
| ☒ Unsolicited inquiries | ☒ Result of trade mission/show |
| ☒ Foreign Agricultural Service | ☐ World Trade Center NETWORK |
| ☐ Journal of Commerce | ☐ Commerce Business Daily |
| ☒ Private Source (pls. name): <u>State generated direct mail program</u> | |
| ☐ Other: _____ | |

- d. Does your office help companies bid on, or take advantage of, international procurement opportunities?
- | | | | |
|-------------------------------------|-----|--------------------------|----|
| ☒ | YES | ☐ | NO |
|-------------------------------------|-----|--------------------------|----|

If YES, what type of assistance do you provide? NYS Small Business Unit works with businesses

2. Other programs to match buyer and seller

PROGRAMS MATCHING BUYER AND SELLER		
	Use State Program	Use Federal Program
Foreign Buyers Program	☒ YES ☐ NO	☐ YES ☒ NO
Identify Agents & Distributors	☒ YES ☐ NO	☐ YES ☒ NO
Publish product descriptions abroad	☒ YES ☐ NO	☐ YES ☒ NO

3. Does your office work on joint ventures?

- ☒ YES ☐ NO
- ☒ In-bound ☐ Out-bound
- ☒ Introduce potential partners ☐ Help broker deals
- ☒ Make referrals ☐ Other: _____

VIII. SEMINARS AND CONFERENCES: Offered to Businesses

1. Number of seminars/conferences per year

State sole sponsor (#)	5
Co-sponsored (#)	105
With DOC (#)	20
With SBA/SBDC (#)	25
With other (#)	60

2. Seminar/conference topics

- Basic how-to ☒ Yes ☐ No
- Single subject ☒ Yes ☐ No
- (such as documentation, licensing, export finance, etc.)
- List most popular Unknown
- Specific foreign market ☒ Yes ☐ No
- List most popular Europe
- Current events (e.g. NAFTA, EC92, etc.) ☒ Yes ☐ No
- List most popular EC92

IX. TRADE DEVELOPMENT TRAINING: (For Assistance Providers, Not Businesses)

1. Trade development training provided to:

- | | | |
|----------------------------------|---|--|
| State business development staff | ☒ YES | ☐ NO |
| City officials | ☐ YES | ☒ NO |
| Legislators/Elected officials | ☐ YES | ☒ NO |
| Other local officials | ☒ YES | ☐ NO |
| Other export service multipliers | ☒ YES | ☐ NO |
- (e.g. local EDOs, chambers, universities, trade associations, etc.)

2. Type of training provided: Basic export knowledge skills, familiarization with New York State export assistance programs, Federal programs, other resource availability.

3. Training that is not currently provided, but needed: N/A

X. MISCELLANEOUS EXPORT PROMOTION PROGRAMS

1. Exporter Awards ☒ YES ☐ NO
2. Ambassador program ☐ YES ☒ NO
3. Governor's International Advisory Committee ☒ YES ☐ NO
☐ Public only
☐ Private only
☒ Public/Private
4. World Trade Week ☐ YES ☐ NO
 Annual Governors International Business Conference/Luncheon ☒ YES ☐ NO
5. List any Sister City/State agreements that have developed into business/trade relationships:
Italy, Israel, Poland

XI. EXPORT FINANCING ASSISTANCE

1. State constitutional prohibition ☐ YES ☒ NO
2. Legislation passed ☐ YES ☒ NO
 Date enacted: N/A
 Date became operational: N/A
3. Program funded and operational ☒ YES ☐ NO

ACTIVITY TO DATE			
	State Program	Volume (\$)	# Transactions
Loans	☐ YES ☒ NO		
Guarantees	☒ YES ☐ NO	(See below)	(See below)
Insurance	☐ YES ☒ NO		
Counseling	☒ YES ☐ NO		

4. Please briefly describe your loan/guarantee program(s): Medium-term financing program using EXIM Bank guarantees and a state business development corporation were launched in April 1992. Completed transactions are expected in 1993.

5. Please list any other organizations that offer export financing in your state: None

6. Approximately how many financial institutions in your state help finance small export transactions (less than \$250,000): Few

XII. FOREIGN SALES CORPORATIONS

1. Do you use FSCs for trade development ☒ STATE ☐ OTHER ☐ NO
 a. If no, did you use FSCs in the past ☐ YES ☐ NO
 b. If yes, what year was it created: 1989
 Results to date: Ten registered companies

Briefly describe the FSC: Managed by a third party accounting firm for New York State.

XIII. TRADE SHOWS AND MISSIONS

1. Your office puts the greatest emphasis on: (rank 1 to 4, 1 = most emphasis)
- | | |
|-------------------|----------|
| Trade missions | <u>3</u> |
| Trade shows | <u>1</u> |
| Catalog shows | <u>2</u> |
| Video Trade Shows | <u>4</u> |

2. Trade Show Assistance Programs

Do you subsidize trade show participation? ☐ YES ☒ NO
 If YES, please describe your program: _____

3. Summary of Overseas Activities for FY 1992 (July 1991 - June 1992)

SUMMARY OF OVERSEAS ACTIVITIES FOR FY 1992				
	#/Yr	Focus Countries	Focus Industries	Co-sponsor(s)
Trade Shows	8	Worldwide	Various	*
Trade Missions	1	Worldwide	Various	*
Catalog Shows	2	Japan, Korea	Various	*
Video Shows	0			

*NOTE: New York State Department of Economic Development is generally the sole sponsor.

4. Please indicate which events your state has been (and plans to be) involved in from 1992-1993.

CALENDAR FOR 1992-1993					
Date	Name of Event	Location	Type	Products	Governor Participation
March 1992	Leisure and Recreation	Tokyo, Japan	■ Show □ Mission	Leisure and recreation products	□ Yes ■ No
May 1992	Analytica '92	Munich, Germany	■ Show □ Mission	Laboratory equipment and instruments	□ Yes ■ No
May 1992	Budapest Int'l Fair	Budapest, Hungary	■ Show □ Mission	Technical and industrial equipment	□ Yes ■ No
May / June 1992	Multi-State Trade Mission	Mexico, Guatemala, Venezuela, Colombia	□ Show ■ Mission	Various	□ Yes ■ No
Sept. 1992	Farnborough Int'l Air Show	Farnborough, U.K.	■ Show □ Mission	Aeronautics and avionics products	□ Yes ■ No
Sept. 1992	Photokina	Cologne, Germany	■ Show □ Mission	Photographic and motion picture equipment and supplies	□ Yes ■ No
Sept. 1992	Hi-Tech Canada	Toronto, Canada	■ Show □ Mission	Hi-tech products	□ Yes ■ No
Nov. 1992	Electronica	Munich, Germany	■ Show □ Mission	Electronic components and assemblies	□ Yes ■ No
Nov. 1992	Medica	Dusseldorf, Germany	■ Show □ Mission	Medical equipment and supplies	□ Yes ■ No
Feb. 1992	Enptrotech	Taipei, Taiwan	■ Show □ Mission	Environmental control equipment	□ Yes ■ No
March 1993	Health Care 93 (JETRO)	Tokyo, Japan	■ Show □ Mission	Medical equipment and supplies	□ Yes ■ No
March 1993	Multi-State Catalog Show II	Canada	□ Show ■ Mission	All products	□ Yes ■ No

XIV. NEW TRADE PROGRAMS

1. Has your office developed any new programs in response to the establishment of trading blocs or free trade agreements? ☐ YES ☒ NO

If YES, please indicate which trading bloc/FTA and describe: _____

2. Does your office use contracts with companies to deliver export-related services? ☐ YES ☒ NO

If YES, please describe your program: _____

3. Please describe any other new programs and innovations on existing programs which have been particularly effective in helping your companies export or will be of interest to other trade development professionals: Increase use of export grants to permit businesses to analyze their export potential, and to develop export strategies and action plans.

XV. OVERSEAS REPRESENTATION: (Formerly "Foreign Offices")

1. Do you currently share an overseas office/representative with another state or agency? ☐ YES ☒ NO

If YES, who do you share with: _____

If NO, would you be interested in exploring shared overseas representation?

☒ YES ☐ NO

- | | | |
|----|---|--------------|
| 2. | Total budget (all offices/representatives combined) | \$ 1,500,000 |
| a. | Export promotion | \$ 700,000 |
| b. | Foreign investment attraction | \$ 800,000 |
| c. | International tourism attraction | \$ 0 |
| d. | Other | \$ 0 |

3. PLEASE INCLUDE COMPLETE INFORMATION FOR EACH STATE OVERSEAS
OFFICE/REPRESENTATIVE

LOCATION: LONDON, UNITED KINGDOM

Contact/Title: Richard Kilner, Director

Address: Panton House

25 Haymarket

London SW1Y 4EN United Kingdom

Phone: 44-71-839-5079

Fax: 44-71-839-5401

Telex: 912721

Cable: -

Total Annual Office/Representative Budget: \$ 530,000

Salary of Director of Office or Lead Representative: \$ N/A

Number of staff (use fractions for part-time employees): Professionals 3
Administrative 1

Year office was created: 1968

Breakdown of Foreign Office Activities		
Activity	Time (%)	Budget (\$)
Trade Development/Export Promotion	35	N/A
Foreign Investment Attraction	50	N/A
International Tourism Attraction	0	0
Other	15	N/A

Office type: ☐ State facility
☒ Contract office
☐ Other:

=====

LOCATION: TOKYO, JAPAN

Contact/Title: Francis T. Vaughan, Director

Address: Yurakucho Building, Room 218

10-1 Yuraku-Cho 1 Chome

Chiyoda-Ku, Tokyo 100, Japan

Phone: 81-33-213-4387

Fax: 81-33-216-0578

Telex: 7607035 UC

Cable: -

Total Annual Office/Representative Budget: \$ 350,000

Salary of Director of Office or Lead Representative: \$ N/A

Number of staff (use fractions for part-time employees): Professionals 2
Administrative 1

Year office was created: 1965

Breakdown of Foreign Office Activities		
Activity	Time (%)	Budget (\$)
Trade Development/Export Promotion	50	N/A
Foreign Investment Attraction	35	N/A
International Tourism Attraction	0	0
Other	15	N/A

Office type: ☐ State facility
☒ Contract office
☐ Other:

LOCATION: FRANKFURT, GERMANYContact/Title: Gabriele Brennan, Deputy DirectorAddress: Bockenheimer Landstrasse 98-1006000 Frankfurt Main 1GermanyPhone: 49-69-75600620Fax: 49-69-746436Telex: -Cable: -Total Annual Office/Representative Budget: \$ 120,000Salary of Director of Office or Lead Representative: \$ N/ANumber of staff (use fractions for part-time employees): Professionals 1Administrative 1Year office was created: 1980

<i>Breakdown of Foreign Office Activities</i>		
Activity	Time (%)	Budget (\$)
Trade Development/Export Promotion	40	N/A
Foreign Investment Attraction	40	N/A
International Tourism Attraction	0	0
Other	20	N/A

Office type: ☐ State facility
☒ Contract office
☐ Other: _____

LOCATION: HONG KONGContact/Title: L.C. Au Yong, Deputy DirectorAddress: 6/F Tung Hip Commercial Building244-248 Des Voeux Road CentralHong KongPhone: 852-953-7609Fax: 852-541-8191Telex: -Cable: -Total Annual Office/Representative Budget: \$ 100,000Salary of Director of Office or Lead Representative: \$ N/ANumber of staff (use fractions for part-time employees): Professionals 1Administrative 0Year office was created: 1989

<i>Breakdown of Foreign Office Activities</i>		
Activity	Time (%)	Budget (\$)
Trade Development/Export Promotion	60	N/A
Foreign Investment Attraction	25	N/A
International Tourism Attraction	0	0
Other	15	N/A

Office type: ☐ State facility
☒ Contract office
☐ Other: _____

**RESPONSE TO WRITTEN QUESTIONS OF SENATOR RIEGLE
FROM KENNETH D. BRODY**

Q.1. As was pointed out at today's hearing, while the TPCC has made a good start, the task of strengthening America's export competitiveness is "an ongoing process." What tasks that you were not able to accomplish this year do you hope to achieve by the time your Second Annual Report is submitted to the Committee next September?

A.1. The TPCC has added a number of issues to our 1994 "radar screen" which we were not able to thoroughly address during the preparation of the first annual report. These issues include: services exports—clearly a sector of strength and future growth; untied aid—a topic which requires in-depth study before policy decisions can be considered; the potential linkage between U.S. foreign direct investment and export growth; and finally, defense exports. These issues will require considerable attention as each represents an area of significant importance to the overall growth of U.S. exports and the Nation's economic health.

In addition to these issues, the TPCC will stay focused on implementation of the recommendations in the First Annual Report. We are committed to turning the recommendations into results and expect to be guided accordingly.

**RESPONSE TO WRITTEN QUESTIONS OF SENATOR RIEGLE
FROM ERSKINE B. BOWLES**

Dear Mr. Chairman:

This is in response to your letter of October 5, 1993 in which you posed a question following up on my testimony before your Committee on September 29. I appreciate having this opportunity to shed some further light on the Small Business Administration's (SBA's) activities with regard to the Trade Promotion Coordinating Committee (TPCC).

Q.1. As was pointed out at today's hearing, while the TPCC has made a good start, the task of strengthening America's export competitiveness is "an on-going process." What tasks that you were not able to accomplish this year do you hope to achieve by the time your Second Annual Report is submitted to this Committee next September?

A.1. Because the TPCC recommendations will require significant changes in the SBA's export promotion and finance programs, we anticipate that the Second Annual Report primarily will address implementation and refinements to the changes initiated this year.

For example, the TPCC report calls for a one-year test of the SBA's export finance program. If the test proves successful, the report suggests increasing the SBA's financing authority for individual exporters beyond the current loan guarantee level of \$750,000. If unsuccessful, the report recommends terminating the SBA's program and consolidating that authority with Eximbank.

Expansion of the one-stop Export Assistance Centers provides a second example. If the number of Export Assistance Center locations is to be increased significantly beyond the four scheduled to open this year, the SBA must resolve how to provide the additional

financial resources that commitment will require. This may mean shifting resources from other SBA programs.

In addition to the SBA's commitment to the Export Assistance Centers, we will be working with the SBA field offices to establish teams of international trade officers in the SBA district offices. This will be a significant contribution to the SBA's export promotion and financing efforts.

I hope this information is helpful to you. Please do not hesitate to contact me if I can be of further assistance to you.



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